Report of the Board and financial statements

Year ended 31 March 2008

For use at the Circle Anglia AGM on 30 September only. After this date please contact Marketing and Communications on 01603 703806 for an up-to-date copy.












Industrial & Provident Societies Registration No. 27604R
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Board Members and Group Executive Officers

Membership is organised as follows:

Management Board

Roger Humber (Chair) Independent member
Robert Burgin Independent member
Alan Catterick Group Partner member
Jane Clarkson Independent member
Murray Foster Group Partner member
Baroness Maggie Jones Group Partner member
Nicola Lucking Group Partner member
Mark Rogers Group Chief Executive
Martin Shaw OBE Independent member
Michael Webber Group Partner member

Strategy Board

Roger Humber (Chair)
Robert Burgin
Alan Catterick Mole Valley HA (Chair)
Jane Clarkson
Murray Foster South Anglia Housing (Chair)
Baroness Maggie Jones Circle 33 HT (Chair)
Nicola Lucking Wherry HA (Chair)
Mark Rogers Group Chief Executive
Martin Shaw OBE
Andrew Hill Russet Homes (Chair)
Michael Webber Invicta Telecare (member)
Sheila Farmer Invicta Telecare (Chair)
Jane Gurney-Read CSCA (Chair)
Jitinder Kohli EPIC Trust (Chair)
Ayo Odukoya
Brenda Reynolds Roddons HA (Chair)
Alan Riddell Old Ford HA (Chair)

Committees and Forum Membership

Jane Clarkson Group Audit Remuneration & Succession
Baroness Maggie Jones Remuneration & Succession
Martin Shaw OBE Remuneration & Succession (Chair)
Jane Gurney-Read Remuneration & Succession
Shelia Farmer Group Policy Forum
Ayo Odukoya Group Audit
Nick Stevens Group Audit (Chair)

Marianne Wyles FCIS, Group Company Secretary

Operating and financial review

Principal Activities
Circle Anglia Limited

Circle Anglia Limited is a Registered Social Landlord. Its principal activities are the provision of central services to its operating subsidiaries, development of social housing and asset management. The principal operating subsidiaries of the Circle Anglia group (the "group") are;

Registered Social Landlords and charitable Industrial and Provident Societies providing social housing including low-cost home ownership:

- Circle 33 Housing Trust Limited
- Old Ford Housing Association Limited
- South Anglia Housing Limited
- Wherry Housing Association Limited
- Mole Valley Housing Association Limited
- Roddons Housing Association Limited; and
- Russet Homes Limited (a non charitable Industrial and Provident Society)

It also has a number of other subsidiaries providing services both externally and to the group:

- Circle Anglia Treasury Limited – a company limited by shares, which operates as the groups' principal borrowing vehicle
- Epic Trust Limited – a registered charity and company limited by guarantee providing care and support
- Anglia Maintenance Services Limited – a company limited by shares, which supplies repair and property maintenance services
- Commercial Services Circle Anglia Limited – a company limited by shares providing leasehold and sales and marketing services
- Invicta Lifeline Limited – a company limited by shares providing telecare and support and care services
- Old Ford Homes Limited and Your Lifespace Limited, both company's limited by shares own and develop properties for sale, principally though joint venture arrangements; and
- Circle Anglia Foundation Limited – a registered charity and company limited by guarantee, which secures charitable donations and grants to provide funding towards community and tenant based development projects.

About our housing stock

Circle Anglia provides a wide range of affordable housing choices – including general needs, supported and sheltered – together with care and support packages that enable more vulnerable residents to maintain their tenancies. We have developed a commercial approach to development to help fund an increased affordable housing programme, with income from a combination of grants, use of our resources, and profits from property disposals. This includes developing properties for private sale, shared ownership and market rent, providing leasehold management services and including commercial premises as part of some mixed-tenure schemes.

We provide homes in over 80 local authority areas, with some strong regional concentrations of stock. Circle 33 and Old Ford provide homes in North and East London, with the key local authorities being Islington, Waltham Forest, Haringey, Tower Hamlets, Hackney, Camden, and Barking and Dagenham. South Anglia is the regional RSL for Hertfordshire, Bedfordshire and Essex, formed originally from the stock transfer from East Hertfordshire Council with other key stock concentrations in Luton, Basildon, Braintree and Harlow. Wherry, formed originally from the transfer of stock from Broadland District Council is the regional partner in East Anglia, managing homes in Norfolk, Suffolk, Cambridgeshire and more recently Lincolnshire and Northamptonshire. Partners who joined the group during 2007 are Mole Valley Housing Association, a new stock transfer organisation in Surrey, Roddons Housing Association, a new stock transfer organisation in Fenland, and Russet Homes, an existing RSL that was formed originally from the stock transfer from Tonbridge and Malling Council in Kent and which is the regional partner for Kent and East Sussex.

The number of units owned and managed by the group has increased as new developments are constantly being handed over. In addition, during the year properties managed increased as a result of Mole Valley, Roddens Housing and Russet Homes becoming members of the group.

Circle Anglia's management stock profile at 31 March 2008 is disclosed below:

	2008	2007	2006
Social housing rented	39,558	25,117	24,565
Shared ownership	2,220	1,633	1,298
Keyworker	422	-	236
Leasehold	2,172	791	540
Temporary	4	-	31
Non-social rented	454	287	125
Other non-social	206	111	115
Total stock owned	46,045	27,939	26,910
Accommodation managed on behalf of others	945	1,021	7,779
Less stock owned but not managed	(1,435)	(1,135)	(1,057)
Total stock managed	45,555	27,825	33,632

The reduction in 2006/7 resulted from the expiry of a management contract with Lewisham Council.

Operating and financial review

Slogan, mission, core purpose and values

Our slogan is So Much More.

Our mission is to deliver:
- Great homes
- Reliable services
- Local solutions

Our core purpose is to improve people's Life Chances. The group business plan demonstrates Circle Anglia's passion for improving our residents' Life Chances through the development of a more focused set of local area management strategies and by enhancing financial strength through improving the value of our assets.

We will demonstrate our partnership approach as we move from getting the basics right, to taking a wider community role.

We will link Growth and Development decisions to a long term view of asset values and the impact of stock concentration on our ability to influence local policies. We will achieve this by following a set of behaviours for the Executive Team, Leadership Group, managers and staff. These drive the culture of the organisation and support delivery of our business objectives, and are based on the values of:
- **People...** are the heart of everything that we do
- **Partnership...** our way of working together
- **Brand...** a sense of belonging
- **Belief...** in our organisation, ourselves and our ability to grow.

Circle Anglia Five Year Plan Summary 2008-13

The themes of the plan were set out at the formation of Circle Anglia. In our ongoing dialogue with our customers, they have told us that their priority is getting the basics right, so our themes have been redefined under four key areas.

So much more customer satisfaction
Circle Anglia aims to deliver reliable and effective services that meet the needs and aspirations of our customers. By doing this we aim to achieve high levels of customer satisfaction across the group.

So much more financial strength
Circle Anglia must optimise its financial capacity and operate efficiently and add to the long term value of the group. This will allow continued high levels of investment in existing properties and services and the development of new ones.

So much more growth
The successful growth to date of Circle Anglia has meant we can now set more ambitious goals. We now aim to have 75,000 to 100,000 homes by 2013.

So much more performance
To deliver our ambitious growth and improvement objectives we must be an organisation with effective structures, leadership and culture.

Delivering the plan
The group plan summarises the key objectives for Circle Anglia and the risks involved and the table of objectives records, where applicable, how each one ties in with the Audit Commission Key Lines of Enquiry (KLO Es), which set a framework for excellence in services to residents. Detailed delivery of the objectives together with risk management plans is set out in group partner and directorate plans. Together these form a suite of plans that show how Circle Anglia's aims will be achieved and how the key vulnerabilities around capacity, performance, complexity and the changing external environment will be overcome. Financial plans for the group and each group partner are also in place. These are supplemented further by the delivery detail in:

- Group partner Service Improvement Plans
- Development Strategy
- Customer First Strategy
- Equality and Diversity Strategy
- Value for Money Strategy
- Procurement Strategy
- Neighbourhood Strategy; and
- Sustainable Communities Strategy.

Objectives are cascaded from group, partner and directorate plans to team plans and then to individual objectives, which are set at the annual appraisal process. These are regularly reviewed through one to one meetings.

KPI and financial performance is reviewed monthly by the Group Performance Team.

Progress against the group plan is formally reviewed on a quarterly basis by the Group Executive Team and reported to the Group Board by the Chief Executive.

Operating review

During the year four new partners joined the group. Mole Valley Housing Association, a new stock transfer organisation in Surrey, Roddons Housing Association, a new stock transfer in Fenland, and Russet Homes, an existing RSL that was formed originally from the stock transfer from Tonbridge and Malling Council in Kent, Invicta Telecare Limited, formerly a subsidiary of Russet Homes, a telecare and support and care provider in Kent and the South East of England was transferred from Russet to Circle Anglia when Russet Homes joined the group in November 2007. The group also accepted the transfer into Old Ford Housing Association of the Parkside estate in East London and the Mardyke estate in Havering.

Housing Corporation regulation

In December 2007 the Housing Corporation carried out an assessment of Circle Anglia. It again awarded the Group the maximum score of four green traffic lights for our performance in the key areas of viability, governance, management and development.

Performance measures

The Board and Executive Team use a number of key performance measures to monitor achievement of the group's objectives, which cover areas of financial management, housing management, development and sale, and asset management.

Financial management measures include comparisons of surpluses as a percentage of turnover across the various business teams and monthly management accounts, which compare actual results to budgets and revised forecasts. Interest cover and gearing are also monitored by the treasury team for compliance with covenants and to assess the group's cashflow.

Housing management measures focus on arrears and voids management and, in particular, resident satisfaction and day to day repairs, including the percentage of repairs completed first time, response times for each category of repair and completion times against target.

Development and sale performance are measured against targets for the number of units in development and completed. As the group is dependent on sale of properties, whether through low cost home ownership or outright sales, the number of units sold is monitored against budget on a monthly basis. Asset management focuses on measures set to monitor the performance of planned repairs, including the costs of carrying out repairs and completion times against target.

The standards of our homes are also monitored annually to ensure that the group is in line with the Decent Home Standard targets.

The Board receives regular reports which indicates the group's performance against targets and simply and effectively highlights the current performance and the trend, giving each area a "green","amber" or "red " assessment. Those areas assessed as "red " are monitored closely and are subject to a detailed review by the Board each quarter.

Operating and financial review

Performance measures

The following tables show the operating performance of the seven (2007 four) partner RSLs that now make up the direct housing management operations of Circle Anglia.

Circle 33 Housing Trust

	2007/8	2006/7	2005/6	2004/5
Rent collected as % of rent due	**99.7%**	99.5%	99.8%	100.1%
Current residents arrears as % of rent roll	**4.5%**	4.8%	5.0%	6.0%
Average weekly gross rent	**£85.31**	£83.24	£79.07	£75.34
Average re-let turnaround times	**37.6**	43.4	25	27
Dwellings vacant and available for let	**0.75%**	0.6%	0.9%	0.5%
Dwelling vacant but unavailable for rent	**1.66%**	2.6%	2.4%	2.8%
Emergency repairs completed in target	**88.3%**	86.8%	86.4%	87.3%
Urgent repairs completed in target	**83.9%**	82.1%	81.9%	88.2%
Routine repairs completed in target	**92.1%**	87.9%	86.4%	81.6%
Average SAP rating	**70**	73	73	73
Homes failing Decent Homes Standard	**6%**	6.5%	26.3%	26.5%
Residents satisfied with overall service	**69.9%**	61.0%	61.0%	60.1%

Circle 33 continued the excellent performance of the previous year and continues to build upon the previous years' improvements in performance. The Trust continued to invest in its neighbourhood management teams and in delivering reactive repairs in partnership with Osbourne. Performance on void and lettings turn round times remain a key focus for the operations as does the continued investment in our homes to ensure that all meet the Decent Homes Standard.

Rent collection and rent arrears maintained the levels of the previous year with a slight improvement in current arrears which fell to 4.5% continuing the clear downward trend apparent over the last three years.

A slight increase in voids available at the year-end was offset by a reduction in long term voids. Turnaround times improved over the year.

Repairs performance was within tolerances and demonstrate an improvement over the previous years performances and pleasingly the level of tenant satisfaction, confirmed by the 2008 Status survey, reflects a significant improvement in service quality.

Old Ford Housing Association

	2007/8	2006/7	2005/6	2004/5
Rent collected as % of rent due	**96.7%**	99.6%	101.4%	99.1%
Current residents arrears as % of rent roll	**5.3%**	2.5%	2.5%	4.3%
Average weekly gross rent	**£79.73**	£80.23	£75.07	£72.59
Average re-let turnaround times	**40**	22	24	68
Dwellings vacant and available for let	**0.2%**	0.1%	0.2%	0.1%
Dwelling vacant but unavailable for rent	**1.9%**	0.0%	2.1%	3.1%
Emergency repairs completed in target	**93.2%**	96.7%	97.9%	97.9%
Urgent repairs completed in target	**94.6%**	92.7%	92.9%	95.5%
Routine repairs completed in target	**86.7%**	93.7%	94.2%	95.8%
Average SAP rating	**73**	90	80	80
Homes failing Decent Homes Standard	**28.9%**	0.0%	11.6%	11.8%
Residents satisfied with overall service	**60.0%**	71.5%	71.5%	71.5%

Old Ford Housing Association took up the transfer during the year from Tower Hamlets of the housing stock at the Parkside Estate and at the year end the Mardyke Estate increasing its stock in management by over 2000 homes.

These significant changes in the size of the operations of Old Ford had an impact on overall performance, which saw a slight dip in rent collection, an increase in arrears and slight dips in repairs performance. Decent Homes, previously 100% compliant, reflect the transfer of these estates during the year. Satisfaction has also dropped as a result of significant numbers of new residents awaiting either demolition of their homes, or a major refurbishment of their estate.

Operating and financial review

South Anglia Housing

	2007/8	2006/7	2005/6	2004/5
Rent collected as % of rent due	99.3%	99%	99.2%	81.5%
Current residents arrears as % of rent roll	6.4%	6.2%	5.7%	3.4%
Average weekly gross rent	£80.43	£77.05	£76.50	£69.70
Average re-let turnaround times	36.3	28	25	36
Dwellings vacant and available for let	3.3%	0.4%	1.6%	0.3%
Dwelling vacant but unavailable for rent	0.9%	0.6%	0.5%	0.4%
Emergency repairs completed in target	95.2%	97.1%	96.8%	94.9%
Urgent repairs completed in target	89.8%	80.4%	87.7%	96.2%
Routine repairs completed in target	97.2%	89.7%	94.4%	96.4%
Average SAP rating	68	71	60	58
Homes failing Decent Homes Standard	7.06%	15.2%	20.0%	30.5%
Residents satisfied with overall service	67%	75.8%	75.8%	75.8%

Rent arrears and rent collection ended the year with slightly improved performance over the previous years and within tolerance targets.

Letting turnaround times and voids at the year end reflected the significant development programme of new homes undertaken throughout the year by the Association. These indicators reflect a dip from previous years' performance and continued review and management of the allocations and lettings processes will continue to improve performance.

Repairs performance showed an improvement over the previous year. Further improvements in this area are expected following the management agreement which has been agreed between Mears and Anglia Maintenance Services who provide these reactive repairs services to both South Anglia and Wherry Housing Association. This is also expected to impact significantly on satisfaction with services, being the key driver for satisfaction.

Wherry Housing Association

	2007/8	2006/7	2005/6	2004/5
Rent collected as % of rent due	100.8%	99.2%	99.9%	99.5%
Current residents arrears as % of rent roll	4.2%	5.8%	4.9%	5.3%
Average weekly gross rent	£68.50	£68.16	£64.54	£62.09
Average re-let turnaround times	23.76	26.1	20	32
Dwellings vacant and available for let	1.6%	0.5%	0.7%	0.3%
Dwelling vacant but unavailable for rent	0.3%	0.5%	0.7%	0.9%
Emergency repairs completed in target	88.4%	97.1%	96.3%	86.1%
Urgent repairs completed in target	89.1%	80.4%	91.1%	86.6%
Routine repairs completed in target	94.2%	89.7%	96.7%	93.8%
Average SAP rating	67	71	52	52
Homes failing Decent Homes Standard	15.69%	15.2%	21.9%	14.2%
Residents satisfied with overall service	76.0%	75.8%	83.0%	83.0%

Rent collection and arrears showed an improvement over the previous years, reflecting the continued improvements delivered over the year through the work completed by the action team set up last year.

Void levels slightly increased although a reduction was achieved in re-let turnaround times.

Whilst emergency repairs performance was poor, significant improvement in performance on urgent and routine repairs was achieved through Anglia Maintenance Services. Performance on reactive repairs is expected to improve as a result of the partnership between Mears and Anglia Maintenance Services, and this is expected to halt the small decline in satisfaction.

Operating and financial review

Roddons Housing Association

	2007/8
Rent collected as % of rent due	96.4%
Current residents arrears as % of rent roll	3.6%
Average weekly gross rent	£66.18
Average re-let turnaround times	32
Dwellings vacant and available for let	1.2%
Dwelling vacant but unavailable for rent	0.4%
Emergency repairs completed in target	98.0%
Urgent repairs completed in target	97.0%
Routine repairs completed in target	93.0%
Average SAP rating	70
Homes failing Decent Homes Standard	9.2%
Residents satisfied with overall service	82%

Roddons Housing Association received the transfer of some 3,700 homes from Fenland District Council in November 2007.

The Association is focusing on delivering the promises made to residents as part of the transfer and will focus on improving rent collection and arrears. The Association moved onto the group's Housing Management systems after the year end which will assist in delivering these improvements.

Repairs performance was strong and met the targets during the period.

Mole Valley Housing Association

	2007/8
Rent collected as % of rent due	103.7%
Current residents arrears as % of rent roll	4.5%
Average weekly gross rent	£72.41
Average re-let turnaround times	75.8
Dwellings vacant and available for let	1.1%
Dwelling vacant but unavailable for rent	0.2%
Emergency repairs completed in target	N/A
Urgent repairs completed in target	77.0%
Routine repairs completed in target	79.0%
Average SAP rating	55
Homes failing Decent Homes Standard	35.7%
Residents satisfied with overall service	78%

Mole Valley Housing received the transfer of some 3,500 homes from Mole Valley District Council at the end of October 2007.

Arrears and rent collection performances were improved over the period. Void levels remained relatively consistent throughout the period but were impacted by the low level of turnaround time achieved on lettings in the period.

Repairs performance was outside tolerance and the Association continues to focus on measures to improve performance in this area during 2008/9.

Russet Homes

	2007/08
Rent collected as % of rent due	98.2%
Current residents arrears as % of rent roll	1.8%
Average weekly gross rent	£81.64
Average re-let turnaround times	31
Dwellings vacant and available for let	1.3%
Dwelling vacant but unavailable for rent	0.3%
Emergency repairs completed in target	81.2%
Urgent repairs completed in target	93.7%
Routine repairs completed in target	100.0%
Average SAP rating	63
Homes failing Decent Homes Standard	0.7%
Residents satisfied with overall service	90%

Russet Homes joined the group in October 2007, with some 6,400 homes under management.

Rent collection and arrears performance remains within target and whilst void numbers increased slightly re-let times were maintained. The Association will in 2008/9 move to a choice-based letting process.

Repairs performance was outside target. New delivery arrangements in partnership with Osbourne came into force in 2008/9 and over the latter months of the year performance from existing contractors came under pressure.

The Association demonstrated a significant increase and high level of resident satisfaction, under the recently completed Status survey.

Investment in housing stock

The group has identified and costed the work required to ensure that all tenanted properties meet the Government's Decent Homes Standard by 2010/11. All parts of the group now have access to procurement groups such as Buy4London and Procurement for Housing. This significantly reduces the procurement cost of the planned reinvestment programmes.

We have implemented a supply chain management system with key suppliers in order to reduce the cost of procurement and the actual installation time, thus reducing inconvenience to residents.

Circle Anglia has achieved a significant increase in the number of properties meeting Decent Homes Standards. The future programme will improve the remaining properties with the aim of ensuring that all Circle Anglia's units meet Decent Homes Standards by 2010/11, and later dates for the new stock transfers as agreed as part of those transfers. Circle Anglia has brought forward the timing of surveys to ensure up to date information is held on all the group's properties. This helps the effective planning of works and ensures that sufficient provision has been made in the financial plans to deliver the improvements.

Organic Growth – building new homes

Circle Anglia is a preferred development partner of the Housing Corporation. The group out-performed its 2007/8 targets creating 1907 new homes in the year, including 135 for other housing associations. There were 3,304 properties in development at the year end.

Every RSL that is allocated grant from the Housing Corporation agrees a programme for spending this money through the course of the financial year. The Housing Corporation then monitors each RSL's performance in two key areas, being cash spend and completions. This year we have had excellent results across the group. Our development teams in London and the Eastern regions have exceeded the Housing Corporation targets with regard to cash spend and completions.

Circle Anglia agrees minimum development targets with the partner RSLs. These targets are reviewed as part of the financial planning process to ensure that funding is available and the risks understood and managed.

The development of new properties for social use is supported by grants and the sale of properties developed for outright sale and low cost shared ownership. The difficulties in the housing and mortgage markets and the potential impact on the development programme has been considered as part of the normal financial planning process. This includes stress testing the financial plans to ensure that they can cope with significantly lower volumes of sales as well as house price falls. This results in adjustments to the development programme such as changing the timing of developments and the mix of tenures.

Inorganic Growth – mergers, acquisitions, stock transfers, and other growth initiatives

The Group Board set a target of 20,000 additional homes through inorganic growth by 2011. In 2007/8 nearly 16,000 homes have been brought into the group through the stock transfers noted above. Business Growth Strategy will again focus on strategic partnerships with other RSLs, stock transfers and regeneration opportunities.

Corporate Social Responsibility

Our approach to corporate social responsibility plays an important part in the way the group conducts its business. We aim to conduct ourselves in a professional, fair, ethical, legal and sustainable manner in our relationships with fellow employees, customers, suppliers, business partners, the community and other stakeholders in the housing sector. We encourage our suppliers to implement a similar approach.

Operating and financial review

Our charitable foundation, Circle Anglia Foundation Limited, reflects our commitment to making an impact in communities in which we operate at grass roots level. In developing and maintaining our homes we use eco-friendly practices where possible, such as modern methods of construction and replacing single glazed windows with more energy efficient units. We carry out extensive community consultation programmes in the local neighbourhoods where our homes are being built.

Main influences and risks

The key influences on the group's operating and financial performance are as follows:

- the group's expansion plans, which include the incorporation of new partners, together with further stock transfers and regeneration opportunities
- the requirement to provide value for money, including general needs rents which comply with the Housing Corporation's rent restructuring agenda, demonstrating continuous improvement in output per unit cost across the group and securing the promised merger savings.
- meeting customer service aspirations, which includes measuring and improving performance against Audit Commission Key Lines of Enquiry, involving our residents and meeting the defined Decent Homes Standards by 2010/11; and
- the impact of the credit crunch and housing market difficulties on the availability and terms of funding for RSLs and for those seeking mortgages and the potential impact on the financial plans of Circle Anglia.

The group reviews its risks on a regular basis and has in place a risk management strategy which provides a guide for Board members and managers on the group's approach to risk management and a Group Risk Map is maintained. Through the process of regular review, those risks which present the greatest threats to the group are identified and reported to the Group Audit Committee.

Risk management supports the achievement of business objectives by:

- enhancing the quality of decision-making, planning and prioritisation
- contributing to effective allocation of resources; and
- protecting and enhancing the group's assets and its image.

The principal risks revolve around the need to ensure continued support from the Housing Corporation and to secure funding to underpin our growth plans, without which our targets would not be met. Other risks that are most likely to influence future performance are:

- economic factors that could influence the viability of the group e.g higher interest and borrowing costs, RPI increases, falling sales values
- our ability to understand exactly where we are in our performance against customer expectations as well as regulations. Without this our ability to meet customers' standards will be compromised. The group needs to improve resident satisfaction and offer integrated customer service processes with consistent service standards
- a large part of the group's development programme is in relation to low-cost shared ownership homes. A downturn in the market may impact on the demand for these properties and on the price that can be achieved. Expertise and accurate research is required to ensure that schemes developed are viable and meet the needs of the community within which they are located
- we also recognise and monitor the need to ensure that our development and growth opportunities meet our internal Net Present Value requirements through robust sensitivity testing and sales forecasting, as these impacts on cash flow targets and thus on lender and funding covenants; and
- the group also needs to ensure it has control over costs and income and to secure and embed a culture across the group of Value For Money.

Group Financial Highlights: Three Year Summary (£M)

Group income and expenditure

	2008 £m	2007 £m	2006 £m
Turnover	170.1	130.7	127.5
Operating Costs	134.2	102.5	103.4
Operating Surplus	35.9	28.2	24.1
Surplus on sales of assets	29.6	38.5	15.4
Negative goodwill amortisation	.9	–	–
Net interest charge	(52.2)	33.5	30.0
Taxation	8	(2)	–
Surplus for the year	15.0	31.6	9.7

Group balance sheet

	2008 £m	2007 £m	2006 £m
Housing properties at cost less depreciation	1,717.0	1,117.1	990.0
Other tangible fixed assets	20.9	10.3	10.0
Investments	6.1	3.0	0
Share of joint venture assets	0.2	0.7	0
Net current assets (liabilities)	(566.2)	(5.0)	(0.5)
Debtors – due after one year	163.5	0	0
Creditors – due after one year	(771.5)	(762.4)	(633.0)
Other long term liabilities	(5.0)	(5.5)	(7.4)
Negative goodwill	(226.9)	0	0
Reserves	(338.7)	(358.1)	(358.9)

Financial performance for 2007/08 has been strong, with turnover rising 30% and the operating surplus increasing by 26.9%. The increase in turnover reflects the new partners, Russet, Invicta, MVHA and Roddons joining the group during the year and the transfer of the Parkside and Mardyke estates into Old Ford. It is encouraging that the operating margin has been maintained at 21% over a year in which the group has faced much change, and much of this operating margin continues to be derived from the post-merger savings of Circle 33 and the Circle Anglia group, with a significant drive to deliver procurement savings and value for money improvements .

Social housing turnover has grown by 33% to £146.7 million in the year, significantly outstripping the small growth last year of 7%. This reflects an increase of £16 million (15%) before the increases from new group members of £23 million reflected in the year (1% over last year's growth). The operating surplus from social housing activities before depreciation and impairment increasing by 0.6% despite continued increased pressure on the maintenance budgets. This growth also reflects the significant development programmes completed during the year of £180 million for general housing and shared ownership schemes, most of which were started in the last year and completed this year.

Supporting People activity has continued to grow by 15% within its funding, producing a small surplus for 2007/8 of £0.98m. The growth and small surplus remain a particularly good performance considering the increased pressure to deliver savings to contracting authorities.

Like many other social housing providers, Circle Anglia develops properties for outright sale and shared ownership. The profits on this activity are used to cross-subsidise our social housing development programme. As expected, the surplus on development and fixed asset sales has increased significantly in the year and delivered a surplus of £28.6m of which £9.5m derived from development sales.

Interest costs in the year reflected the additional group borrowing profile arising from the development programmes. The interest costs of new partners, arising in the period and overall, increased from a net cost of £33.5m to £52.2m but included some £5.1m of breakage costs stemming from the loan re-structuring which took place. Costs of borrowing, as noted, were maintained under close control throughout the year, with the refinancing of the group borrowing facilities delivering significant long term savings and providing greater flexibility for the group to manage risk and opportunities.

The group income and expenditure account and balance sheet are set out on pages 27 and 28 and the following paragraphs highlight key features of the group's financial position at 31 March 2008.

Accounting policies

The group's principal accounting policies are set out on pages 21 to 24 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and include: Accounting for major capital project repairs and maintenance costs, capitalisation of interest and development administration costs; deduction of capital grant from the cost of assets; housing property depreciation; and treatment of shared ownership properties first tranche sales, which are being credited to the costs of these assets.

Each of these policies has remained unchanged during the period under review.

Housing properties

At 31 March 2008 the group owned or managed 45,555 housing properties (2007: 27,825). The valuation shown in the balance sheet of properties owned by us (after depreciation and capital grant) was £1,522.9 million (2007: £982.8 million).

The Board appointed professional valuers to value the group's housing properties as at 31 March 2008. Our investment in housing properties this year was funded through a mixture of social housing grant, loan finance and working capital. The group treasury policies are considered below.

The total development, acquisition and capital improvement activity during the year spent £260.6m to meet growth and quality home improvement targets; these major investments continue to strengthen the financial performance of the group.

Pension costs

The group participates in several defined benefit pension schemes, which provide benefits based on final pensionable pay. The assets of the schemes are held separately from those of the group, being invested in independently managed funds. As with many other schemes of this type, there is a funding deficit, which may require additional contributions in future years in order to meet its liabilities. In accordance with FRS17, the pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full.

The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Only existing members of such schemes retain the right to remain within these schemes on transfer within the group. New employees of the group are offered pension arrangements under stakeholder pension scheme arrangements which provides for pension provision under defined contribution arrangements. The assets of such schemes are also separate from those of the group, being invested by independent fund managers. Contributions by the group are charged to the profit and loss account for the year in which they are payable to the schemes.

Group funding structure and financing

In 2007 Circle Anglia restructured and refinanced the majority of loans within the group. A funding group was established which consists of a treasury vehicle (Circle Anglia Treasury Ltd) and guarantors (Circle 33 Housing Trust, Old Ford Housing Association, Wherry Housing Association, South Anglia Housing Association, Mole Valley Housing Association and Roddons Housing Association).

The funding group has secured £1,500 million in loan facilities as at March 2008 with a further £445m in long term facilities to refinance £550 million short term loan facilities arranged to assist the refinancing exercise.

The treasury vehicle borrows funds and hedges exposures to support the member's consolidated requirement to investment in new and existing properties. Circle Anglia Treasury then pass all the funds through to the members of the funding group.

Russet Homes has retained its existing funding facility of £205m and is not currently part of the funding group.

This new flexible structure created a greater depth in the funding market for Circle Anglia and allows each of the group partners participating to leverage off the strength of the group in order to maximise the delivery of social housing and support the service delivery and future growth ambitions of the group.

Treasury policy

The group and group partners have adopted a Group Treasury Policy which sets out the parameters and controls for treasury activities across the group. In compiling these policies, the group has used the CIPFA Code of Practice for Treasury Management in Public Services as well as Treasury Management Policy Statements and Good Practice Notes issued by the Housing Corporation.

Loan structure

The group ensures that its borrowings are structured and documented so that the maturity profiles of the loan facilities are managed, with a view to obtaining offer terms for renewing or refinancing, if required, which are competitive and as favourable to the group as can be reasonably achieved. The group's current loan portfolio has been structured to ensure that it will be able to meet all repayments of principal under the loans as required under the relevant loan documentation. Maturity dates of loan facilities are staged to ensure that large proportions of debt do not mature in the same year and therefore the group should not be subject to any significant degree of refinancing risk.

The following table shows the group's loan repayment profile:

	£million
Less than one year	550
1 – 5 years	2
Over 5 years	588
Total	**1,140**

Interest rate risk management

The group's current strategy is to mitigate risk of breaching covenants due to movement in interest and inflation rates whilst ensuring the maximum enterprise value for the organisation.

Operating and financial review

Circle Anglia uses a combination of embedded and freestanding instruments to hedge against adverse movements in interest rates and inflation. As at March 2008, 48% of the group's debt had been hedged.

Cash flows

The consolidated cash flows show that the group generated cash of £55.2m from operations (excluding property sales, gift aid and interest) and return on investments. The loan service costs of £60.4m (net) (which included £5.1m of loan breakage costs) and £378.8m of expenditure on new development schemes and capital works to existing stock, were funded by social housing grant of £45.9m, proceeds of property sales of £83.0m, reductions in cash holdings and net drawdown of loans.

Loan facilities

As at the 31 March 2008, the group had committed long term loan facilities of £1.7 billion, with undrawn committed loan facilities of £559 million. The undrawn facilities are fully secured and can be drawn within two working days notice. £280 million of the current loan facilities are on a revolving basis which allows the group to draw and repay variable loans when surplus cash becomes available. As noted above, additional long term loan facilities of £570 million were signed after the year end.

The group can draw funds from its lenders within two days notice and therefore has adopted an active cash flow management strategy. This means that the group aims to minimise cash balances by drawing funds as and when they are required, when there is a financial benefit in doing so.

Compliance with loan covenants

Under its loan arrangements an interest cover ratio and gearing ratio has been agreed. For the year to March 2008, the interest cover ratio and the gearing ratio were in compliance with loan covenants.

Russet Homes has separate loan covenants reset by the lenders each year and these have been complied with as at the end of the year.

The financial plans are also tested to ensure that they can cope with major changes in circumstances without breaching covenants. This includes testing different scenarios of property sales prices and volumes and differing levels of inflation and interest rates. This helps ensure that Circle Anglia has the financial strength to cope with adverse circumstances but can also invest in good investment opportunities as they arise and deliver promises to group partners.

Diverse activities strategy

Circle Anglia invests in a range of diverse activities and uses the returns from these to increase the amount that can be invested in social housing and the communities the group operates in. These activities include the trading activities of Commercial Services Circle Anglia and the investment by Your Lifespace in limited liability partnerships to develop properties for sale as well as other commercial investments. Your Lifespace also invested in Landericus, a company created with two partners to invest in residential property in Germany.

Going concern

After making enquiries, the Board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the group's financial statements.

Statement of compliance

In presenting the Operating and Financial Review on pages 4 to 20 the Board has endeavoured to follow the principles regarding purpose, audience, timeframe, reliability, comparability and financial and non-financial measures as set out in the Statement of Recommended Practice for accounting by registered social landlords (Update 2005).

Board of Management's Report on the system of internal control

The Board acknowledge their ultimate responsibility for ensuring that the group has in place a system of controls that is appropriate to the various business environments in which it operates and for the review of the effectiveness of that system during the year. These controls are designed to identify and manage rather than eliminate risks, which may prevent the organisation from achieving its objectives. The system is designed to give reasonable rather than absolute assurance with respect to:

(a) the reliability of information used within the organisation or for publication;

(b) the maintenance of proper accounting and management records; and

(c) the safeguarding of assets against unauthorised use or disposition.

The process to identify, evaluate and manage significant risks faced by the organisation is ongoing, has been in place during the past financial year and is reviewed regularly by the Board. The risk management and control processes are not a separate annual exercise, but a continuous function and embedded across the group by documenting and collating evidence to support good practice and compliance.

The Board has itself, and through the activities of the Group Audit Committee, reviewed the outcome of internal and external audit work, managers' risk and control self-assessments and the business assurance review which encompassed internal and external sources of assurance on key risks faced by the organisation. External sources include Housing Corporation and Audit Commission assessments and audits.

Key elements of the system of control include ensuring that:

a) management reports on operational and financial matters and controls are routinely available to the board. The group has a well-established risk and control culture whereby operational and financial reports provide a major source of assurance when considering internal controls.

b) risk management activities are used to highlight and mitigate undesirable events from occurring. By reviewing, assessing and managing the significant risks the board ensures that implemented internal controls can achieve the long term business objectives. Risks have been documented with agreed priority ratings and with definition of related current controls and Board monitoring mechanisms. The implementation of any improvements to controls identified by the risk mapping process is monitored by management and the Group Audit Committee. Clear lines of responsibility have been established throughout the group for coordinating risk management activities and reporting on key risks identified and considered by the Board.

c) assignment of responsibility for oversight of audit activities.

   Audit activities have clear terms of reference which are regularly reviewed and updated with business and regulatory requirements.

Board of Management's Report on the system of internal control

d) a control and risk self–assessment (CRSA) is undertaken by management. CRSA is a systematic approach designed to meet the needs of the association which requires risks and controls to be identified and measured. Staff and line managers review their own risks with assistance from the Risk Management department and by building their own control assessment. This is designed to promote accountability by all staff and not to rely upon functions such as risk management to monitor potential risks. The system is supportive and designed to instil a greater understanding of risk by all members of the team.

e) internal auditors are used to ensure a robust risk management approach is applied across the group in order to reduce the risks to an acceptable level for the board. It is important to stress that internal audits are not responsible for the design and construction of control systems but undertake an objective role in order to review them appropriately at a later date. PricewaterhouseCoopers undertake this responsibility on behalf of Circle Anglia which ensures an objective review and audit.

f) the association's objectives and strategies as well as the related business risks are made clear to external auditors so they can gain an understanding of the overall structure and governance of the association.

g) internal financial control is mainstreamed into the processes of the organisation. In order to increase financial awareness within the group "have your say" workshops have been used. The principal financial internal controls are segregation of duties, the employment of qualified staff and advisors and operating sound and well documented budgetary controls. To embed this further, function testing has been implemented to provide additional assurance around a vital area of the business. This in turn improves understanding and raises awareness of the processes and controls within an organisation of our size.

   At present forecasts and budgets are prepared which allow the Board and management to monitor the key business risks and financial objectives and progress towards financial plans set for the year and medium term.

h) quality management systems are in place. This will ensure that the final service we provide to our customers always meets or exceeds the performance standards. Popular forms of quality management are accreditations such as Investors in People (IiP), which the group is currently pursuing.

i) compliance with other quality schemes and standards are established. The Board can demonstrate intended levels of quality and standards through customer satisfaction reports. Service Level Agreements and work undertaken by the Service Excellence Team also provide strong examples of quality schemes in existence within the group. Codes of practice and national standards and achievements are adopted by the group as appropriate to provide additional assurance to the Board.

j) the Board receives the reports on all areas of the association's performance information (including performance indicators) and that it is regularly reviewed. The Housing Corporation values benchmarking schemes, committees and evidence of a performance management culture which is both led and supported by senior managers. There is also a regulatory requirement to ensure that data systems are externally validated.

k) reports from regulatory and other external bodies are available to the Board.

l) formal procedures have been established for implementing appropriate action to correct weaknesses identified. An example of this is the function testing which has been implemented across the group.

m) it is recognised that the group does not tolerate fraud and action is taken to reduce the risk of fraud through control systems. A fraud statement and response policy is incorporated in the governance framework.

n) all significant new initiatives, major commitment and investment projects are subject to formal review and authorisation. Specific guidelines are in place to guide staff who may have dealings with this area and regular committee meetings take place to monitor progress.

The Board acknowledges that their responsibility applies to the complete range of risks and controls within the organisation's activities and to ensuring that necessary remedial action is put into operation.

On behalf of the Board, the Group Audit Committee has reviewed the annual reports of the Group Chief Executive and those of the Internal Audit and Risk Management functions. The Committee has continuously monitored the effectiveness of the system of internal control in existence in the organisation for the year ended 31st March 2008 and until the date of the Board meeting at which the statement and accounts are approved. No weaknesses were found in internal controls which resulted in material losses, contingencies, or uncertainties which require disclosure.

Statement of Board of Management's responsibilities

Statement of Board of Management's responsibilities in respect of the Board of Management's report and the financial statements

The Board of Management is responsible for preparing the Board of Management's Report and the financial statements in accordance with applicable law and regulations.

Industrial and Provident Society law requires the Board of Management to prepare financial statements for each financial year. Under that law the Board of Management have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the Trust and of the surplus or deficit for that period.

In preparing these financial statements, the Board of Management are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in business.

The Board of Management is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Trust and enable them to ensure that its financial statements comply with the Industrial & Provident Societies Acts 1965 to 2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Trust and to prevent and detect fraud and other irregularities.

The Board of Management is responsible for the maintenance and integrity of the corporate and financial information included on the Association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

The Board members who held office at the date of approval of this Board report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditors are unaware; and each Board member has taken all the steps that they ought to have taken as a Board member to make themselves aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

A resolution for the re–appointment of KPMG LLP as auditors of the Association is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Board member

Report of the independent auditors

Report of the independent auditors to the members of Circle Anglia Limited

We have audited the group and parent financial statements of Circle Anglia Limited for the year ended 31 March 2008 which comprise the Consolidated and Association Income and Expenditure Account, the Consolidated Statement of Total Recognised Surpluses and Deficits, the Note of Consolidated Historical Cost Surpluses and Deficits, the Consolidated and Association Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Association's members, as a body, in accordance with Schedule 1 paragraph 16 to the Housing Act 1996 and section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditors

The responsibility of the Association's Board for the preparation of the Board's report, and the preparation of financial statements in accordance with applicable United Kingdom law and UK accounting standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Board's Responsibilities on page 24 opposite.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002 and the Industrial and Provident Societies (Group Accounts) regulations 1969, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. We also report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained, if the Association has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the association's circumstances, consistently applied and adequately disclosed.

Report of the independent auditors

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the group and Association as at 31 March 2008 and of the surplus of the group and of the Association for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002 and the Industrial and Provident Societies (Group Accounts) regulations 1969, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

KPMG LLP
Chartered Accountants
Registered Auditor

1 Forest Gate
Brighton Road
Crawley
RH11 9PT

Group income and expenditure accounts

Group income and expenditure account for the year ended 31 March 2008

	Note	Group 2008 £000	Group 2007 £000
Turnover: continuing activities including Joint Ventures	3	170,108	130,653
Operating costs	3	(132,595)	(101,089)
Other costs	3	(1,765)	(1,345)
Operating surplus : continuing activities	3	35,784	28,219
: Joint Ventures		–	(50)
Surplus on sale of fixed assets – housing properties	6	29,570	38,581
Amortisation of negative goodwill		949	–
Interest receivable and other income	7	5,368	2,153
Interest payable and similar charges	8	(57,501)	(35,637)
Surplus on ordinary activities before taxation		14,189	33,266
Tax credit – (charge) – on surplus on ordinary activities	10	803	(1,650)
Surplus for the financial year		14,992	31,616

The notes on pages 32 to 71 form part of these financial statements.

Statement of total group recognised surpluses and deficits for the year ended 31 March 2008

	Note	Group 2008 £000	Group 2007 £000
Surplus for the financial year	22	14,992	31,616
Unrealised (deficit) on revaluation of housing properties	22	(37,105)	(35,850)
Actuarial gain/(loss) recognised in the pension scheme	29	2,612	1,890
Settlement of Lewisham pension scheme liability	29	–	1,544
Total recognised (deficits) since last annual report		(19,951)	(800)

Note of group historical cost surpluses and deficits for the year ended 31 March 2008

	Note	Group 2008 £000	Group 2007 £000
Reported surplus on ordinary activities before taxation		14,256	33,266
Realisation of property revaluation surpluses of previous years	22	6,301	74
Difference between historical cost and revalued depreciation	22	4,018	(1,627)
Historical cost surplus on ordinary activities before taxation		24,908	31,713
Taxation charge (credit)		803	(1,650)
Historical cost surplus on ordinary activities after taxation		25,711	30,063

Group income and expenditure account

Company income and expenditure account for the year ended 31 March 2008

	Note	Group 2008 £000	Group 2007 £000
Turnover: continuing activities	3	31,660	26,210
Operating costs	3	(31,670)	(26,209)
Operating surplus/(deficit)		(10)	1
Interest receivable and other income	7	8,463	17,082
Interest payable and similar charges	8	(8,443)	(17,054)
Surplus on ordinary activities before taxation		10	29
Tax on surplus on ordinary activities	10	(10)	(29)
Surplus for the year		–	–

The notes on pages 32 to 71 form part of these financial statements.

Statement of total company recognised surpluses and deficits for the year ended 31 March 2008

	Note	Group 2008 £000	Group 2007 £000
Surplus for the financial year	22	–	–
Actuarial gain recognised in the pension scheme	29	1,441	1,470
Total recognised surpluses since last annual report		1,441	1,470

Group and Association balance sheets

Consolidated balance sheet for the year ended 31 March 2008

	Note	Group 2008 £000	Group 2007 £000
Tangible fixed assets			
Housing properties at valuation	11	1,717,046	1,117,177
Other tangible fixed assets	11	20,985	10,310
Investments	12	6,117	3,053
Investments in joint venture:			
Share of gross assets	12	23,130	19,303
Share of gross liabilities	12	(22,890)	(18,607)
Property Investments:			
Investment in property under the Homebuy Scheme:			
Grant investment		1,975	2,076
Social housing grant		(1,975)	(2,076)
		1,744,388	1,131,236
Current assets			
Stock and work in progress	13	266	117
Properties for sale		5,395	10,870
Debtors due within one year	14	47,935	16,097
		53,596	27,084
Investments	15	4,064	797
Cash at bank and in hand		18,493	11,544
		76,153	39,425
Creditors: Amounts falling due within one year	16	(643,032)	(44,583)
Net current liabilities		(566,879)	(5,158)
Total assets less current liabilities		1,177,509	1,126,078
Other Debtors – amounts falling due after one year	14	163,504	129
		1,341,013	1,126,207
Creditors: Amounts falling due after more than one year	17	770,862	762,428
Provisions for liabilities and charges	20	16	1,494
Long-term pension liability	29	5,050	4,122
		775,928	768,044
Capital and reserves:			
Non–equity share capital	21	–	–
Designated reserve	22	5,941	5,499
Revenue reserve	22	116,810	89,379
Revaluation reserve	22	215,461	263,285
Goodwill		226,872	–
		565,084	358,163
Consolidated funds		1,341,013	1,126,207

The financial statements were approved by the Board on 29 July 2008 and signed on its behalf by:

Board Member Board Member Secretary

Group and Association balance sheets

Company balance sheet for the year ended 31 March 2008

	Note	2008 £000	2007 £000
Tangible fixed assets			
Other tangible fixed assets	11	633	350
Investments	12	272	51
		905	401
Current assets			
Debtors due after one year	14	–	323,764
Debtors due within one year	14	46,031	5,043
		46,031	328,807
Investments	15	–	–
Cash at Bank & in Hand		12	42
		46,043	328,849
Creditors: Amounts falling due within one year	16	(44,675)	(5,231)
Net current assets		1,368	323,618
Total assets less current liabilities		2,273	324,019
Creditors: Amounts falling due after more than one year	17	2,000	323,723
Long term pension liability	29	2,036	3,500
Capital and reserves:			
Non–equity Share Capital	21	–	–
Revenue reserve	23	(1,763)	(3,204)
Association's funds		2,273	324,019

The financial statements were approved by the Board on 29 July 2008 and signed on its behalf by:

Board Member Board Member Secretary

Consolidated cashflow statement

Consolidated cashflow statement for the year ended 31 March 2008

	Note	2008 £000	2007 £000
Net cash inflow from operating activities	26	55,113	39,985
Returns on investment and servicing of finance			
Interest received		5,257	2,153
Interest paid		(65,631)	(42,455)
Net cashflow from returns on investment and servicing activities		(60,374)	(40,302)
Taxation paid			
Corporation Tax paid		–	(164)
Capital expenditure			
Purchase and construction of housing properties		(378,642)	(209,475)
Social housing grants – received		45,891	29,455
Sales of Housing properties		83,189	46,779
Purchase of other fixed assets		(10,173)	(4,991)
Net cash outflow from investing activities		(259,857)	(138,232)
Cash outflow before management of liquid resources and financing		(264,996)	(138,713)
Management of liquid resources			
Cash (paid into) withdrawn from money market deposit accounts		(3267)	2,003
Financing			
Housing loans received net of payments	26/27	271,843	128,754
Increase/(decrease) in cash	26/27	3,580	7,956

The notes on pages 32 to 71 form part of these financial statements.

Notes to the financial statements

1. Legal status

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is also a Registered Social Landlord under the Housing Act 1996.

2. Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom, the Statement of Recommended Practice for Registered Housing Associations update 2005 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

A summary of the more important accounting policies, which have been consistently applied, is set out below:

(a) Basis of accounting

The financial statements are prepared on the historical cost basis as modified for the revaluation of housing properties.

(b) Basis of consolidation

The group financial statements incorporate the financial statements of the group's parent, Circle Anglia Limited, and its subsidiaries.

(c) Turnover

Turnover represents gross rental income receivable during the period net of voids, fees, management fees, direct works income, supporting people income and other sundry sources.

(d) Housing properties

Completed housing properties have been valued on an Existing Use Value – Social Housing (EUV–SH) basis and are to be revalued annually. The aggregate surplus or deficit on revaluation is the difference between the cost of the property less capital grants received, less depreciation and the amount of the valuation. The cost of the property includes purchase price and construction costs together with the costs of subsequent improvements and the incidental costs of acquisition and construction including interest capitalised during the construction period. Interest capitalised is calculated by reference to the Association's cost of borrowing.

Depreciation is charged on housing properties in accordance with their expected economic lives as evaluated by professional valuers. Depreciation has therefore been charged on a straight line basis at rates of between 1% and 1.4% excluding land.

Housing properties under construction are stated at cost less capital development grants and are transferred to "Completed Schemes" once they are available for letting. No depreciation is provided on housing properties under construction.

Where properties are sold the portion of the revalued cost of sale that is in excess of the historic cost of sale for the property is released from the revaluation reserve and is transferred to the Income and Expenditure Reserve.

Shared Ownership housing stock is also included in fixed assets. Under the terms of tenancy agreements tenants have the right to purchase additional shares in these properties at an appropriate share of the open market valuation.

Homebuy – Investments and the associated grant under the Homebuy scheme are held within the balance sheet as fixed asset investments.

Costs incurred prior to a development being virtually certain of being awarded are charged to the Income and Expenditure Account. Only directly attributable costs that are incurred after it is virtually certain that a development scheme has been awarded are capitalised in the Financial Statements.

Major capital project repairs and maintenance expenditure is only capitalised when such expenditure increases the rental income,

reduces future maintenance costs or significantly extends the useful life of the property. All other major capital project repairs and maintenance are taken to the Income and Expenditure account in the period incurred.

In accordance with the Statement of Recommended Practice only costs that are directly attributable to bringing the properties into working condition for their intended use have been included in the historical cost of the properties.

(e) Impairment

Houses which are depreciated over a period in excess of 50 years are, in accordance with FRS 11 and the SORP (update 2005), subject to impairment reviews annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment, fixed assets are written down to recoverable amount. Any such write down would be charged to operating surplus unless it was a reversal of a past revaluation surplus in which case it would be taken to the statement of total recognised gains and losses.

(f) Capital development grants

Capital development grants are secured from the Housing Corporation and other sources and are utilised to reduce the cost of acquisition and development prior to revaluation. The amount transferred to the Revaluation Reserve as a result of the revaluation of housing properties has been calculated as the difference between the valuation amount and the net cost of the properties after deducting capital development grants received.

Where grants are received in advance they are carried forward in current liabilities to be matched against future capital expenditure as it is incurred. Grants receivable in respect of schemes under construction or complete are included as a debtor in the financial statements.

Capital development grants may be repayable under certain circumstances, primarily following the sale of a property. Provision for repayment is made in the Balance Sheet when properties which have previously received grant funding are subsequently sold.

(g) Other fixed assets and depreciation

Freehold offices are stated at historical cost after depreciation over 25 years. Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following rates:

	% per annum
Fixtures and fittings in leasehold offices	
Over the term of the property lease	
Communal alarm units	33
Computer hardware and software	33
Office furniture and equipment	15–33

(h) Investments

Investments are valued at the lower of cost and net realisable value.

(i) Designated reserves

Where funding has been received from bodies other than the Housing Corporation, amounts have been set aside in respect of major repairs and the replacement of furniture and fittings, in accordance with individual funding arrangements.

Sinking funds to cover the cost of major works are held on trust where required for leaseholders. Annual contributions from leaseholders are based on independent qualified Chartered Surveyors' review of stock condition surveys and a programme of planned works. The contributions are set aside to a designated reserve.

Notes to the financial statements

(j) Deferred income
Deferred income comprises both premiums on leases which are released over the life of the lease and other income received which is carried forward over the lives of the assets concerned.

(k) Loan origination fees
Loan origination fees in respect of the issue of new loan facilities whose draw down is certain, are deferred and written off to the Income and Expenditure account over the expected life of the loan. Loan origination fees in respect of the refinancing of existing debt or in respect of undrawn facilities whose draw down is uncertain, are written off directly to the Income and Expenditure Account.

(l) Value Added Tax (VAT)
The group is VAT registered in the name of Circle Anglia Limited, but the majority of its income, being rents, is exempt for VAT purposes and this gives rise to a partial exemption calculation. Expenditure for non–taxable activities is therefore shown inclusive of VAT and the input VAT recovered is credited against operating costs. Expenditure on taxable activities is shown exclusive of VAT.

(m) Pensions
The group participates in several defined benefit pension scheme which provide benefits based on final pensionable pay. The assets of the schemes are held separately from those of the group, being invested in independently managed superannuation funds.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. In accordance with FRS17, the pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Pension costs are assessed in accordance with the advice of independent qualified actuaries. Costs include the regular cost of providing benefits which, it is intended, should remain a substantially level percentage of the current and expected future earnings of the employees covered. Variations from the regular pension costs are spread evenly through the income and expenditure account over the average remaining service lives of the current employees.

Certain employees have opted to take out separate arrangements under various defined contribution schemes which they have chosen. The assets of such schemes are also separate from those of the group, being invested by independent fund managers. Contributions by the group are charged to the profit and loss account for the year in which they are payable to the schemes.

(n) Lease obligations
Where assets are financed by leasing arrangements that give rights approximating to ownership, they are classified as finance leases and are treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payment due during the term of the lease. The corresponding leasing commitments are shown as obligations to the lessor. Rentals paid under operating leases (including those paid under 'Temporary Market Rent Housing' leases) are charged to the Income and Expenditure account on an accruals basis.

(o) Sale and leaseback
Properties held under sale and leaseback arrangements under which the group retains the risks and rewards of ownership are included within housing properties at valuation and valued on the same basis as all other completed housing properties. The group recognises the substance of such financing arrangements as long–term loans. The associated finance charge is calculated on the carrying value of the loan outstanding.

(p) Reimbursable contracts
South Anglia Housing Limited (formerly Stort Valley Housing Association Limited) carries out contractual work on behalf of East Hertfordshire District Council. This work is invoiced at cost on a reimbursement basis and the relevant income and expenditure is not recognised in the financial statements. Amounts due from, and expenditure related to, such contracts are included in debtors and accruals at the year end.

(q) Taxation
The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. No provision has been made for any taxation that would arise if the fixed assets were disposed of at the values included in the Financial Statements, since it is not intended to reduce significantly the size of housing stock and hence cause a material taxation liability to crystallise.

(r) Deferred tax
Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date.

(s) Stock Transfers
Where opportunities for the regeneration of local authority housing stock arise after transfer requests from tenants and residents, the Association may seek to maximise the resources available for regeneration schemes by entering into VAT shelter arrangements. In these circumstances, the underlying substance of the transactions is reflected in the accounts on a gross basis. The obligation to the local authorities is shown as long term debtors and the obligation to contactors under the refurbishment contracts is shown in long term creditors. Amounts due within one year under the arrangements are classified within current assets and liabilities.

(t) Negative Goodwill
Negative goodwill arising on the acquisition of subsidiaries represents the excess of fair value of the identifiable net assets acquired over the fair value of the consideration given and is taken immediately to reserves. This is in accordance with the SORP but not in accordance with FRS 10 which requires that negative is goodwill is shown a negative asset on the balance sheet. The Board is of the opinion that the treatment required by FRS 10 would not present a true and fair view of the group's net assets because the substance of the transaction is a transfer of business by a subsidiary for no consideration rather than a purchase in the conventional manner. If the negative goodwill had been treated as a negative asset as required by FRS 10 then the group's net assets would have been reduced by £226.9m. Negative goodwill is amortised over the same period for which the depreciation is charged on the properties acquired (over 100 years).

Notes to the financial statements
For the year ended 31 March 2008 – (continued)

3. Turnover, other costs, operating costs and operating surplus
Group – continuing activities

	2008 Turnover £000	2008 Operating Costs £000	2008 Operating Surplus £000	2007 Operating Turnover £000	2007 Operating Surplus £000
Social housing lettings	146,735	115,388	31,347	110,165	27,674
Other social housing activities					
Supporting people contract income	14,393	13,409	984	12,476	241
Development services	36	–	36	481	210
Management services	412	993	(581)	1,280	(1,343)
Community regeneration	837	1,209	(372)	530	(672)
Other	3,661	2,942	719	2,639	191
	19,339	18,554	786	17,406	(1,373)
Non–social housing activities					
Lettings	4,034	297	3,737	3,082	1,918
	4,034	297	3,737	3,082	1,918
	170,108	134,239	35,870	130,653	28,219

Association – continuing activities

	Turnover £000	Other Costs £000	2008 Operating Surplus £000	Operating Turnover £000	2007 Operating Surplus £000
Central services recharged	31,660	(31,670)	(10)	26,210	1

Particulars of income and expenditure from social housing lettings
Group

	General needs housing £000	Supported housing £000	Temporary social housing £000	Shared ownership £000	Residential Care Homes £000	Lease £000	2008 Total £000	2007 Total £000
Rent receivable net of identifiable service charges	116,737	11,941	397	4,675	179	1,897	135,826	102,216
Charges for support services	–	–	–	–	–	–	–	1,688
Service charges receivable	6,095	2,654	–	1,334	49	444	10,576	5,658
Net rental income	122,831	14,595	397	6,009	228	2,341	146,402	109,562
Other revenue grants	160	15	–	87	71	–	333	603
Turnover from social housing lettings	122,991	14,610	397	6,096	299	2,341	146,735	110,165

3. Turnover, other costs, operating costs and operating surplus (continued)

	General needs housing £000	Supported housing £000	Temporary social housing £000	Shared ownership £000	Residential Care Homes £000	Lease £000	2008 Total £000	2007 Total £000
Management	(36,294)	(3,897)	(182)	(4,207)	(2)	(1,204)	(45,786)	(26,593)
Services	(8,141)	(2,040)	(21)	(158)	(137)	(369)	(10,866)	(7,306)
Special development cost	–	–	–	–	–	–	–	(1,524)
Routine maintenance	(22,954)	(1,882)	(70)	(3)	(34)	(467)	(25,410)	(20,720)
Planned maintenance	(15,244)	(1,932)	–	(1)	–	(180)	(17,357)	(11,128)
Major repairs expenditure	–	–	–	–	–	–	–	(765)
Bad debts	(1,227)	(431)	–	–	9	(19)	(1,668)	(1,264)
Property lease charges	–	–	–	–	–	–	–	(538)
Depreciation of housing properties	(7,387)	(476)	–	(109)	–	(43)	(8,015)	(5,262)
Impairment of Housing Properties	–	–	–	–	–	–	–	(2,247)
Other costs	(5,345)	(303)	(410)	(2)	–	(226)	(6,286)	(5,144)
Operating costs on social housing lettings	(96,592)	(10,961)	(683)	(4,480)	(164)	(2,508)	(115,388)	(82,491)
Operating surplus/(deficit) on social housing lettings	26,400	3,649	(286)	1,616	135	(167)	31,347	27,674
Voids	(1,729)	(720)	(53)	(130)	4	(67)	(2,695)	(1,867)

Notes to the financial statements
For the year ended 31 March 2008 – (continued)

4. Accommodation in management and development
At the end of the year accommodation in management for each class of accommodation was as follows:

	Group 2008 No.	Group 2007 No.
Social housing		
General housing	36,134	22,234
Supported housing	3,424	2,358
Shared ownership	2,220	1,633
Residential care homes	1,009	158
Keyworker	422	367
Leaseholders	2,172	791
Temporary	4	–
Total owned	45,385	27,541
Accommodation managed for others	945	1,021
Stock owned but not managed	(1,435)	(1,135)
Total managed	44,895	27,427
Non–social housing		
Market rented	454	287
Other non-social	206	111
Total owned and managed	45,555	27,825
Accommodation in development at the year end	2,368	2,913

5. Operating surplus
This is arrived at after charging/(crediting):

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Depreciation of housing properties	8,224	5,628	–	–
Impairment of housing properties	–	2,247	–	–
Depreciation of other Tangible fixed assets	2,835	1,559	229	167
Amortisation of formation costs	4	4	4	4
Operating lease rentals	2782	2,082	768	832
Auditors' Remuneration: (including VAT)				
For audit services	190	191	25	22
For non–audit services	38	103	–	19

6. Surplus on sale of fixed assets – housing properties

	Group 2008 £000	Group 2007 £000
Disposal proceeds	64,853	66,985
Cost of sale	(34,135)	(28,404)
	29,627	38,581

Cost of sale includes fees incurred in addition to the asset carrying value.

7. Interest receivable and other income

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Interest receivable on bank deposits	527	577	15	2
Interest receivable on derivatives	3,948	1,373	–	–
Other interest earned	534	177	–	–
Other finance income (FRS 17)	64	26	–	20
Interest receivable from unlisted investments	–	–	6	6
Dividend from Joint Ventures	294	–	–	–
Interest from subsidiaries	–	–	8,442	17,054
	5,367	2,153	8,463	17,082

8. Interest payable and similar charges

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Interest on loans	62,327	41,421	8,443	17,054
Loan breakage costs–net	5,131	–	–	–
Sale and lease back finance charge	–	128	–	–
Other interest payable	3	690	–	–
Interest payable on derivatives	71	479	–	–
Other finance costs – pension FRS17	25	–	–	–
	67,557	42,718	8,443	17,054
Interest payable capitalised on Housing Properties under construction	(10,056)	(7,081)	–	–
	57,502	35,637	8,443	17,054
Capitalisation rate used to determine the finance costs capitalised during the period	5.81%	5.43%	–	–

No development interest has been written off to revenue.

Notes to the financial statements
For the year ended 31 March 2008 – (continued)

9. Employees

	Group 2008 No.	Group 2007 No.	Company 2008 No.	Company 2007 No.
Average monthly number of employees (FTE)				
Administration	225	209	184	199
Care	337	273	2	–
Developing or selling housing stock	66	63	52	62
Managing or maintaining housing stock	500	485	24	8
	1,128	1,030	262	269

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Staff Costs:				
Wages and salaries	33,031	29,559	10,681	9,814
Social security costs	3,257	2,903	1,120	1,026
Other pension costs	2,317	1,880	810	757
	38,605	34,342	12,611	11,597

EPIC Trust employ the majority of their staff directly. With the exception of EPIC Trust, and Anglia Maintenance Services Limited's non–salary based employees, all other employees within the group are employed by Circle Anglia Limited. The resulting employment costs attributable to each Association/Company are recharged via the Service Level Agreement (SLA).

Board members and executive officers

During the year, Board members received emoluments totalling £137,256 (2007: £112,075). Expenses paid during the year to the Board and committee members amounted to £23,193 (2007: £11,108). The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £165,000 (2007: £145,000).

10. Tax on surplus on ordinary activities

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Current tax				
UK Corporation Tax charge on surpluses for the year	98	196	3	51
Adjustment in respect of prior years	5	8	7	8
Total current tax charge	103	204	10	59
Deferred tax				
Net origination and reversal of timing differences (excluding pension)	520	–	–	–
Deferred tax on pension charge	4	(48)	–	(30)
Deferred tax – rate change	48	–	–	–
Deferred tax on gift aid	(1,478)	1,494	–	–
Total deferred tax charge	(906)	1,446	–	(30)
Tax (credit) charge on surpluses for the year	(803)	1,650	10	(29)

	Group 2008 £000	Group 2007 £000	Association 2008 £000	Association 2007 £000
Current year tax reconciliation				
Surplus on ordinary activities before tax	14,256	33,266	10	29
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2007: 30%)	4,277	9,980	3	9
Timing difference on pension charge	4	48	–	30
Gift aid timing difference	(1,468)	(1,494)	–	–
Depreciation for year in excess of / (below level of) capital allowances	(3)	(9)	–	2
Surpluses of charitable entities not subject to corporation tax	(1,713)	(8,248)	–	–
Other non–deductible expenditure, net of allowable capital costs	(502)	10	–	10
Utilisation of losses	(497)	(91)	–	–
Adjustments in respect of prior years	5	8	7	8
Total current tax charge	103	204	10	59

Notes to the financial statements
For the year ended 31 March 2008 – (continued)

11. Tangible fixed assets
Group – Housing properties

	Housing properties held for letting £000	Completed shared ownership housing properties £000	Housing properties under construction £000	Group Total £000
Cost or valuation				
At 1 April 2007	914,576	68,347	134,254	1,117,177
New Partner Additions	413,593	–	19,187	432,780
New property additions	38,266	(2,297)	224,681	260,650
Schemes completed	83,978	96,947	(180,925)	–
Disposals	(9,396)	(35,810)	(3,139)	(48,345)
Revaluation	(40,433)	(4,783)	–	(45,216)
At 31 March 2008	1,400,584	122,404	194,058	1,717,046
Depreciation				
At 1 April 2007	–	–	–	–
Charged in the year	(7,534)	(690)	–	(8,224)
Written back on revaluation	7,351	672	–	8,023
Released on disposal	183	18	–	201
At 31 March 2008	–	–	–	–
Net book value				
At 31 March 2008	1,400,584	122,404	193,419	1,717,046
At 31 March 2007	914,576	68,347	134,254	1,117,177
Historical cost at end of year is represented by:				
Gross Cost	1,872,226	131,775	257,964	2,261,96
Less Capital development grants	(851,333	(24,356)	(64,545)	(940,234)
	1,020,893	107,419	193,419	1,321,731
Historical cost accumulated depreciation	(64,499)	(1,330)	–	(65,829)
Net Book Value	956,394	106,089	193,419	1,255,902

Social housing grant

	2008 £000	2007 £000
Total accumulated SHG receivable at 31 March was:		
Capital grants	940,234	892,212
Revenue grants	14,330	14,330
	954,564	906,542

11. Tangible fixed assets (continued)

On 31 March 2008, the group's completed housing properties were revalued on the basis outlined in Note 1(d) to the financial statements by FPD Savills Consulting, an independent firm of Chartered Surveyors. This full valuation was undertaken in accordance with the Practice Statements in the RICS Appraisal and Valuation Manual. In determining these valuations valuers made use of discounted cash flow methodology and the following assumptions were made:

Future rent increases	Retail Price Index plus 0.5% long–term
Real discount rate	5.5%
Valuation EUV–SH	£1,522,988,000

The resulting revaluation surplus has been taken to a separate reserve.

Tangible fixed assets – other group

	Investment properties £000	Leasehold/ freehold offices £000	Furniture, fixtures and fittings £000	Computer equipment £000	Motor vehicles £000	Total £000
Cost						
1 April 2007	1,701	8,109	5,110	9,547	15	24,482
New Partner Additions		3,868	1,866	1,816	56	7,606
Additions		7,036	1,096	2,012	–	10,143
Disposals		–	(51)	–	–	(51)
At 31 March 2008	1,701	19,013	8,021	13,375	71	42,180
Depreciation						
1 April 2007	(12)	(2,388)	(4,010)	(7,747)	(15)	(14,172)
New Partner Additions	–	(1,389)	(1,435)	(1,388)	–	(4,212)
Charge for year	(4)	(649)	(804)	(1,322)	(56)	(2,835)
Disposals	–	–	24	–	–	24
At 31 March 2008	(16)	(4,426)	(6,225)	(10,457)	(71)	(21,195)
Net Book Value						
At 31 March 2008	1,685	14,588	1,796	2,918	–	20,985
At 31 March 2007	1,689	5,721	1,100	1,800	–	10,310

Notes to the financial statements
For the year ended 31 March 2008 – (continued)

11. Tangible fixed assets – Other (continued)
Company

	Furniture fixtures and fittings £000	Computer equipment £000	Total £000
Cost			
At 1 April 2007	850	1,501	2,351
Additions during year	286	271	557
Written off during year	(51)	–	(51)
At 31 March 2008	1,085	1,772	2,857
Depreciation			
At 1 April 2007	(638)	(1,363)	(2,001)
Charge for year	(117)	(112)	(229)
Written off during year	24	–	24
At 31 March 2008	(731)	(1,475)	(2,206)
Net Book Value			
At 31 March 2008	336	297	633
At 31 March 2007	212	138	350

12. Investment in subsidiaries and Joint Ventures

The following are subsidiaries of Circle Anglia Limited:

	% Share Capital Owned	Registrar of Friendly Societies	Registered with Companies Registrar	Registered with Housing Corporation	Charity Commission
Circle 33 Housing Trust Limited	100	✓	–	✓	–
Wherry Housing Association Limited	100	✓	–	✓	–
South Anglia Housing Limited	100	✓	–	✓	–
Anglia Maintenance Services Limited	100	–	✓	–	–
Old Ford Housing Association	100	–	✓	✓	–
Mole Valley Housing Association	100	✓	–	✓	–
Roddons Housing Association	100	✓	–	✓	–
Russet Homes	100	✓	–	✓	–
Invicta Telecare Limited	100	–	✓	–	–
Circle Anglia Treasury Limited	100	–	✓	–	–
EPIC Trust	100	–	✓	–	✓
Anglia Maintenance Services Limited	100	–	✓	–	–
Your Lifespace Limited	100	–	✓	–	–
Circle Anglia Foundation Limited	100	–	✓	–	✓
Commercial Services Circle Anglia Limited	100	–	✓	–	–
Old Ford Homes Limited	100	–	✓	–	–
Landericus Limited	100	–	✓	–	–

12. Investment in subsidiaries and Joint Ventures (continued)

All of the above are participants in the Group Borrowing Facility with the exception of Commercial Services Circle Anglia Limited, Epic Trust Limited, Anglia Maintenance Services Limited, Circle Anglia Foundation Limited), Russet Homes Limited, Invicta Telecare Limited and Landericus Limited.

The subsidiaries are all incorporated in the United Kingdom apart from Landericus Limited which is a Guernsey registered company. Procedure Agreements exist between Circle Anglia Limited and the subsidiaries covering the respective obligations of all parties.

Included in investments are:

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Cost incurred in formation of group	–	–	47	51
Cost of Shares – Invicta Telecare Limited	–	–	225	–
British Government investments	8	8		–
	8	8	272	51
Investment in Joint ventures:				
Leamington Waterfront LLP	4,186	3,045	–	–
Wideacre Lifespace Scott LLP	768	–	–	–
Wideacre Lifespace Saffron LLP	1,155	–	–	–
	6,117	3,053	272	51
The market value of the British Government investments were	12	14	–	–

Costs of £78,000 incurred in 1995 associated with the formation of the group are being written off in the consolidated Income and Expenditure Account over 20 years.

The movement on capitalised costs in the year is as follows:

	The Association Costs incurred in formation of the Group £000
Written down value at 1 April 2007	51
Amortisation in year	(4)
Written down value at 31 March 2008	47

Notes to the financial statements
For the year ended 31 March 2008 – (continued)

12. Investment in subsidiaries and Joint Ventures (continued)
Operating surplus/(deficit) and total assets less current liabilities of the principal subsidiary undertakings at 31 March 2008:

	Operating surplus/ (deficit) 2008 £000	2007 £000	Total assets less current liabilities 2008 £000	2007 £000
Anglia Maintenance Services Limited	65	(58)	748	674
Circle Anglia Foundation Limited (formerly Circle 33 Charity Limited)	(231)	(176)	390	621
Circle Anglia Treasury Limited	–	–	370,847	–
Circle Anglia Commercial Services Limited	347	–	347	–
Circle 33 Housing Trust Limited	12,572	17,195	292,955	601,866
Epic Trust	234	124	1,077	834
Your Lifespace Limited	47	4,939	5,313	6,807
Old Ford Homes Limited	6,186	360	6,573	55
Old Ford Housing Association	(1,067)	16,771	112,720	68,496
South Anglia Housing Limited	(428)	7,609	18,211	231,447
Wherry Housing Association Limited	(7,004)	5,541	12,438	212,101
Mole Valley Housing Association	1,152	–	106,327	–
Roddons Housing Association	481	–	55,011	–
Russet Homes	1,801	–	363,838	–
Invicta Telecare Limited	(35)	–	334	–
Landericus Limited	–	–	–	–
	14,120	52,305	1,347,129	1,122,901

Associated undertakings – Joint Ventures

	Country of incorporation	Principal activity	Class and percentage of shares held	Parent Company
Tredegar Development Company Limited	England	Development of property	50% 1 £1 Ordinary B Share	Old Ford Homes Limited
T3B Development Company Limited	England	Development of property	50% 1 £1 Ordinary B Share	Old Ford Homes Limited
Leamington Waterfront Limited Liability Partnership	England & Wales	Development of property	50% 1 £1 Ordinary B Share	Your Lifespace Limited
Wideacre Lifespace Scott LLP	England & Wales	Development of property	50% 1 £1 Ordinary B Share	Your Lifespace Limited
Wideacre Lifespace Saffron LLP	England & Wales	Development of property	50% 1 £1 Ordinary B Share	Your Lifespace Limited

Associated undertakings – associates

Key London Alliance	England & Wales	Development of property	25%	Circle 33 Housing Trust Limited

12. Investment in subsidiaries and Joint Ventures (continued)

The total of the group's profit before taxation from interests in associates and Joint Ventures was £64,000 (2007: £423,000).

	Joint Ventures 2008 £000	Associates 2008 £000	Totals 2008 £000
Share of gross assets			
Current assets	23,125	5	23,130
Share of gross liabilities			
Due within one year	(22,885)	–5	(22,890)
Due after one year			
Sub total	240	–	240
Key London Alliance			–
Total			240

The amounts included in respect of associates and joint ventures comprise the following:

	Joint ventures Total 2008 £000	Joint ventures Total 2007 £000	Associates Total 2008 £000	Associates Total 2007 £000
Share of turnover of associates	9,560	14,888	–	1,098
Share of assets				
Share of fixed assets	–	–	–	–
Share of current assets	23,125	18,885	5	418
Share of liabilities				
Due within one year	(22,885)	(2,776)	(5)	(418)
Due after one year	–	(15,813)	–	–
Share of net assets	240	296	–	–

13. Stock and work in progress

	Group 2008 £000	Group 2007 £000
Parts and warehouse stores	266	117
	266	117

Stock and work in progress are held by Anglia Maintenance Services Limited and Roddons Housing Association Limited.

Notes to the financial statements
For the year ended 31 March 2008 – (continued)

14. Debtors

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Due after more than one year:				
Amount due from subsidiaries	–	–	–	323,764
Stock transfer – future works	163,465	–	–	–
Other debtors	39	129	–	–
	163,504	129	–	323,764
Due within one year:				
Work in progress for third parties	–	2,422	–	–
Less: Social housing grant received	–	(1,471)	–	–
	–	951	–	–
Rent and service charges receivable	14,587	10,578	–	–
Less: Provision for bad and doubtful debts	(5,619)	(3,989)	–	–
	8,968	6,589	–	–
Amounts due from subsidiary undertakings	–	–	44,650	3,479
Stock transfer – future works	28,570	–	–	–
Other debtors	5,593	6,352	733	1,407
Prepayments and accrued income	2,327	1,020	648	157
Deferred indexation	695	–	–	–
Deferred taxation	1,154	1,185	–	–
Other taxation and social security	628	–	–	–
	38,967	8,557	46,031	5,043
Total debtors– within one year	47,935	16,097	46,031	328,807

15. Current asset investments

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Money market deposits	4,064	797	–	–
	4,064	797	–	–

16. Creditors: Amounts falling due within one year

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Bank overdraft (note 18)	11,499	7,621	33	–
Bank loans and borrowings (note 18)	549,628	482		–
	561,127	8,103	33	–
Trade creditors	13,313	4,064	1,307	55
Rent and service charge received in advance	4,108	3,174	–	–
Amount owed to Group undertakings	–	–	41,017	1,857
Recycled capital grant fund	2,265	3,802	–	–
Disposal proceeds fund	642	819	–	–
Corporation Tax	18	149	0	51
Other taxation and social security	1,816	757	1,212	749
Other creditors	1,469	1,304	16	7
Stock transfer – future works	29,119	–	–	–
Accruals and deferred income	28,579	22,411	1,090	2,512
	642,356	44,583	44,675	5,231

Bank overdrafts are secured by a fixed and/or floating charge over the assets of the relevant subsidiaries.

17. Creditors: Amounts falling due after more than one year

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Bank loans and borrowings (note 18)	586,134	742,780	–	323,723
Obligations under finance leases (note 18)	1,400	–	–	–
	587,534	742,780	–	323,723
Recycled Capital Grant Fund	8,777	8,757	–	–
Disposal Proceeds Fund	5,116	3,406	–	–
Other creditors	1,912	2,770	2,000	–
Financial deferred income	218	354	–	–
Stock transfer – future works	163,465	–	–	–
Other deferred income	3,840	4,361	–	–
	770,862	762,428	2,000	323,723

The obligations under finance leases and hire purchase contracts represent outstanding capital on leasing commitments linked to deferred mortgages.

The group is permitted to set aside repayable capital development grants from staircased shared ownership sales, into a Recycled Capital Grant Fund. This Fund is to be utilised in the acquisition of new housing within three years or the grants become repayable to the Housing Corporation. The group is required to set aside a significant proportion of proceeds from sales under the Voluntary Purchase Grant scheme according to a predetermined formula, under Section 24 of the Housing Act 1996, into a Disposal Proceeds Fund. This Fund is to be utilised in the acquisition of new housing within three years or the grants become repayable to the Housing Corporation.

The provisions for stock transfer works relates to the costs of the works programme to be undertaken on stock transferred to the Association during the year and reflects legally binding obligation to undertake works under refurbishment contracts. The amounts are broken down between amounts due under one year and more than one year.

Notes to the financial statements
For the year ended 31 March 2008 – (continued)

18. Debt analysis
Housing and non–housing loans

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Due within one year				
Bank overdraft	11,499	7,621	33	–
Bank loans	549,445	242	–	–
Orchardbrook loans	183	240	–	–
	561,127	8,103	33	–
Due after more than one year				
Bank loans	577,538	733,932	–	323,723
Orchardbrook loans	8,664	8,848	–	–
Obligations under finance leases	1,400	–	–	–
	587,602	742,780	–	323,723
	1,148,729	750,883	33	323,723

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Within one year	561,127	8,103	33	–
Between one and two years	1,013	449	–	–
Between two and five years	989	2,939	–	–
After five years	585,600	739,392	–	323,723
	1,148,729	750,883	33	323,723

Of the total loans above £925,000 million was drawn from committed facilities of £1,300 million, arranged through the group's borrowing vehicle, Circle Anglia Treasury Limited, which directly funds the borrowing requirements of the charitable RSLs within group. £87.4m of facilities still reside within the charitable RSLs (£1.4m finance lease in Wherry Housing Association and £86m in historic bonds and loans in Circle 33 Housing Trust). Under the facilities the loans which are repayable at various dates through to 2042, are secured by fixed charges over the completed housing properties of the participating Group members and a series of cross guarantees. The weighted average rate of interest chargeable was 5.81%.

Russet Homes borrowings, included in the above at £129.7 million are secured under a facility of £201 million repayable within 35 years secured by charge over the Association's housing properties and other assets. The weighted average rate of interest chargeable was 7.32%.

19. Financing deferred income

	Group 2008 £000	Group 2007 £000
Lease premium		
At 1 April	–	52
Released in the year	–	(27)
	–	25
Transferred to creditors less than one year	–	(25)
At 31 March	–	–
Other deferred income		
At 1 April	354	459
Released in the year	(53)	(53)
	301	406
Transferred to creditors less than one year	(83)	(52)
At 31 March	218	354
Total	218	354

20. Provisions for liabilities and charges
Deferred Tax

	Group 2008 £000	2007 £000	Company 2008 £000	2007 £000
Deferred tax relating to gift aid paid post year-end	16	1,494	–	–
Provision for deferred taxation	16	1,494	–	–
Provision at start of period	1,494	–	–	–
Deferred tax charge for period (note 10)	–	–	–	
Deferred tax released during the year	(1,478)	–	–	–
Provision at end of period	16	1,494	–	–

The deferred taxation credit arises from the timing difference relating to the payment of gift aid. Charges are made to the extent that there are no tax losses available to utilise against the charge.

Notes to the financial statements
For the year ended 31 March 2008 – (continued)

21. Non–equity share capital

	Association 2008 £	Association 2007 £
Shares of £1 each issued and fully paid		
At 1 April	11	11
Shares issued during the year	–	4
Shares surrendered during the year	–	(4)
At 31 March	11	11

With the exception of the Chief Executive Officer, each member of the Board of Management holds a non–equity share of £1 in the Association. The shares carry the right to vote at meetings of members on the basis of one share, one vote. They do not carry any right to a dividend, to any redemption value or to any distribution on winding up.

22. Reserves
Group

	Revaluation reserve £000	Designated reserves Major repairs reserve £000	Designated reserves Improvements reserve £000	Other designated reserves £000	Revenue reserve £000	Total £000
At 1 April 2007	263,285	692	458	4,349	89,379	**358,163**
Surplus for the year	–	–	–	–	14,992	**14,992**
Revaluation deficit	(37,105)	–	–	–	–	**(37,105)**
Realisation of property revaluation surpluses of previous years	(6,701)	–	–	–	6,701	–
Transfer to revenue reserve	–	55	–	387	(442)	–
Transfer of amount equivalent to additional depreciation on revalued assets	(4,018)	–	–	–	4,018	–
Pension actuarial gain – net of deferred tax	–	–	–	–	2,162	**2,162**
As at 31 March 2008	215,461	747	458	4,736	116,810	**338,212**

23. Reconciliation of movements in group and association funds

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
At 1 April (see note 22)	358,163	358,963	(3,204)	(4,674)
Surplus for the financial year	15,042	31,616	–	–
Revaluation deficit in year	(37,105)	(35,850)	–	–
Impairment	–	–	–	–
Net actuarial gain/(loss)	2,615	3,434	1,441	1,470
Closing funds	338,715	358,163	(1,763)	(3,204)

24. Acquisition of subsidiary undertakings

On 29 October 2007 Circle Anglia Limited acquired the assets and liabilities of Russet Homes Limited, including Invicta Lifeline Limited, a wholly owned subsidiary of Russet Homes.
On 5 November the shares in Invicta Telecare were acquired by Circle Anglia Limited from Russet Homes at par value of £225,500.

	Company 2008 £000
Net assets acquired were:	
Housing properties (net of SHG)	354,101
Other fixed assets	3,337
Debtors	1,958
Deferred tax – asset	1,220
Bank Overdraft	(509)
Creditors	(6,907)
Pension Fund deficits	(2,956)
Loans	(122,423)
Net assets acquired	227,821
Negative goodwill	(227,821)
	–

25. Financial commitments
Capital commitments were as follows:

	Group 2008 £000	Group 2007 £000
Capital expenditure		
Expenditure contracted but not provided in the accounts	348,875	221,990
Expenditure authorised by the board, but not contracted	86,496	64,145
	435,371	286,135

Operating leases
At 31 March 2008 there were the following annual operating lease commitments on leases expiring:

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Within one year:	–	1,244	–	–
Rentals Payable on Operating Leases on Land and Buildings	38	–	25	–
Rentals Payable on Other	115	–	85	–
Between one and five years:	–	3,435	–	768
Rentals Payable on Operating Leases on Land and Buildings	636	–	486	–
Rentals Payable on Other	1,285	–	1,065	–
After five years:	–	2,111	–	1,822
Rentals Payable on Operating Leases on Land and Buildings	5,032	–	4,726	–
Rentals Payable on Other	17	–	17	–
	7,123	6,790	6,404	1,161

Notes to the financial statements
For the year ended 31 March 2008 – (continued)

25. Financial Commitments (continued)
Reconciliation of operating surplus to net cash inflow from operating activities

	Group 2008 £000	Group 2007 £000
Operating surplus	35,748	28,169
Depreciation of tangible fixed assets	11,059	7,187
Impairment of housing properties	–	2,547
Deficit on disposal of tangible fixed assets	–	95
FRS17 provision movement	121	126
	46,928	38,124
Working capital movements		
Stock	(149)	272
Debtors	(3,150)	(3,881)
Creditors	11,484	5,470
Net cash inflow from operating activities	51,113	39,985

26. Reconciliation of net cash flow to movement in net debt

	Group 2008 £000	Group 2007 £000
Increase/(Decrease) in cash	3,071	(7,956)
Cash (inflow)/outflow from (decrease)/increase in liquid resources	3,267	(2,003)
Cash inflow from increase in debt	(394,266)	(128,754)
Increase in net debt from cashflows	(387,928)	(138,713)
Net Debt at 1 April 2007	(738,542)	(599,829)
Net Debt at 31 March 2008	(1,126,470)	(738,542)

27. Analysis of changes in net debt
Group

	At 1 April 2007 £000	New Partners (Note 24)	Cashflow £000	At 31 March 2008 £000
Cash at bank in hand	11,544	–	6,949	18,493
Bank overdraft	(7,621)	(509)	(3,369)	(11,499)
Changes in cash	3,923	(509)	3,580	6,994
Current asset investments	797	–	3,267	4,064
Loans	(743,262)	(122,423)	(271,843)	(1,137,528)
Changes in net debt	(738,542)	(122,932)	(269,521)	(1,126,470)

28. Contingent liabilities
Circle 33 Housing Trust Limited is contracted to two performance bonds, one for £250,000 with Lewisham Borough Council and one for £78,840 with the London Borough of Islington. These have been set up to compensate the relevant District Council for the cost of finding a new contractor in the event of the group's non–performance. No events have occurred which would result in the crystallisation of this bond. Your Lifespace Limited has guaranteed £3.6m in loans to Leamington Waterfront LLP; a joint venture investment to develop and sell property in Warwickshire.

29. Pension obligations
Group summary

a) Defined benefit schemes

Members of the group operate a number of defined benefit pension schemes, as summarised below:

Scheme	Norfolk County Superannuation Fund		Islington Council Pension Fund	Surrey County Council Superannuation Fund	Cambridgeshire County Council Superannuation Fund	Kent County Council Pension Fund		Total
Group member	Circle Anglia Limited	Anglia Maintenance Services	EPIC Trust	Mole Valley Housing Association	Roddons Housing Association	Invicta Telecare	Russet Homes	
Current number of employees in scheme	93	35	10	70	89	120	88	505
Scheme surplus/ (deficit) at 31 March 2008 £000	(2,909)	187	(415)	(73)	466	(490)	(3,200)	(6,434)
Deferred tax asset (£000)	873	(56)	–	–	–	137	896	1,850
Net scheme liabilityat 31 March 2008 (£000)	(2,036)	131	(415)	(73)	466	(353)	(2,304)	4,584

The following defined benefit schemes have 10 or fewer active members and therefore have not been disclosed on grounds of materiality;

National Health Service Pension Scheme, Social Housing Pension Scheme, London Pension Fund Association, London Borough of Tower Hamlets.

	2008 £000	2007 £000
Current service cost	1,346	971
Past service costs	51	–
Settlements and curtailments	27	–
Total operating charge	1,424	971

	2008 £000	2007 £000
Analysis of the amount credited to other finance income		
Expected return on pension scheme assets	2,569	1,530
Interest on pension scheme liabilities	(2,419)	(1,499)
Net income	150	31

Notes to the financial statements
For the year ended 31 March 2008 – (continued)

29. Pension obligations (continued)

	2008 £000	2007 £000
Analysis of amount recognised in statement of total recognised surpluses and deficits (STRSD)		
Actual return less expected return on pension scheme assets	(4,481)	(99)
Experience gains and losses arising on the scheme liabilities	(279)	608
Changes in assumptions underlying the present value of the scheme liabilities	8,414	2,144
	3,654	2,653
Deferred tax	1,039	–
Actuarial gain recognised in STRSD	2,615	2,653

Movement in deficit during the year

	2008 £000	2007 £000
Deficit in schemes at beginning of the year	(5,788)	(9,810)
Opening Balance of new entities at point of entrance	(5,349)	–
Movement in year:		
Current service cost	(1,346)	(971)
Past service costs	(51)	–
Contributions	1,965	770
Former employer contribution to deficit	358	–
Other finance income	150	26
Settlements and curtailments	(27)	–
Actuarial gain/(loss)	3,654	2,653
London borough of Lewisham pension fund transferred out	–	1,544
Deficit in schemes at end of the year	(6,434)	(5,788)

b) Defined contribution schemes

Members of the group also participate in a number of defined contribution schemes administered by several pension providers in respect of certain employees. The total of all employer pension costs in respect of the year ended 31 March 2008 is shown in the employees note.

Circle Anglia Limited

The Norfolk County Council Superannuation Fund

Circle Anglia Limited operates a defined benefit scheme for employees, the assets of which are held in a separate trustee administered fund, the Norfolk County Council Superannuation Fund. Pension contributions are determined by a qualified independent actuary using the attained age method. The most recent actuarial valuation of the Norfolk County Council Superannuation Fund was at 31 March 2007. The actuaries have rolled forward the actuarial values of the liabilities reported as at 31 March 2006, allowing for changes in financial assumptions as prescribed under FRS 17. In addition, consideration has been taken of the effect of contributions paid into and estimated benefits paid from the fund by the Company and its employees. The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It is assumed that the investment returns will be 7.7% for equities and 5.7% for bonds per annum, the salary increases would average 5.1% per annum and that present and future pensions would increase at the rate of 3.6% per annum.

29. Pension obligations (continued)

The actuarial valuation at 31 March 2008 showed that the market value of the scheme's assets was £1,859 million and that the actuarial value of these assets represented 82.0% of the benefits that have accrued to members after allowing for expected future increases in earnings. The contributions of the Company and employees are 14.1% and 6% respectively (2006: 14.1% and 6% respectively).

Actuarial valuations were updated to take account of the requirements of FRS 17. Scheme assets are stated at their market value at 31 March 2007. The major assumptions used by the actuary for the 2007 valuation update were:

	At 31 March 2008	At 31 March 2007	At 31 March 2006	At 31 March 2005
Discount rate	6.9%	5.4%	4.9%	5.4%
Inflation	3.6%	3.2%	3.1%	2.9%
Rate of increase in salaries	5.1%	4.7%	4.6%	4.4%
Rate of increase in pensions in payment	3.6%	3.2%	3.1%	2.9%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which due to the timescale covered, may not be necessarily borne out in practice.

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Long term rate of return expected 2008 %	Value 2008 £000	Long term rate of return expected 2007 %	Value 2007 £000	Long term rate of return expected 2006 %	Value 2006 £000
Equities	7.7%	12,397	7.9%	13,300	7.4%	12,700
Bonds	5.7%	3,430	4.9%	2,900	4.6%	2,500
Property	5.7%	2,750	5.9%	3,100	5.5%	2,200
Cash	4.8%	762	4.9%	500	4.6%	400
Total Market value of assets		19,339		19,800		
Present value of scheme liabilities		21,981		(24,500)		(24,500)
		(2,642)		(4,700)		(6,700)
Present value of underfunded liabilities		(267)		(300)		(300)
Scheme deficit		(2,909)		(5,000)		(7,000)
Related deferred tax asset		873		1,500		2,100
Net pension liability		(2,036)		(3,500)		(4,900)

Notes to the financial statements

For the year ended 31 March 2008 – (continued)

29. Pension obligations (continued)

Movement in deficit during the year

	2008 £000	2007 £000
Deficit in scheme at beginning of year	(5,000)	(7,000)
Current service cost	(497)	(680)
Other finance income	65	20
Settlements and curtailments	(27)	–
Contributions	492	560
Actuarial gain/(loss)	2,058	2,100
Deficit in the scheme at the end of year	(2,909)	(5,000)

Analysis of other pension costs charged in arriving at operating surplus

	2008 £000	2007 £000
Current service cost	(497)	(680)
Impact of settlements and curtailments	(27)	–
Total operating charge	(524)	(680)

Analysis of amounts included in other finance costs

	2008 £000	2007 £000
Expected return on pension scheme assets	1,398	1,240
Interest on pension scheme liabilities	(1,333)	(1,220)
	65	20

Analysis of amount recognised in statement of total recognised surpluses and deficits

	2008 £000	2007 £000
Actual return less expected return on scheme assets	(2,100)	(100)
Experience gains and losses arising on scheme liabilities	(304)	520
Changes in assumptions underlying the present value of scheme liabilities	4,462	1,680
Actuarial gain/(loss) recognised in the statement of total recognised surpluses and deficits	2,058	2,100

History of gains and losses

	2008	2007	2006	2005
Actual return less expected return on scheme assets (£000)	(2,100)	(100)	2,500	520
Percentage of year end scheme assets	(10.9%)	(0.5%)	14.0%	3.8%
Experience gains and losses arising on scheme liabilities (£000)	(304)	520	–	(112)
Percentage of present value of year end scheme liabilities	(1.4%)	2.1%	0.00%	(0.6%)
Total amount recognised in the statement of total recognised surpluses and deficits (£000)	2,058	2,100	(640)	589
Percentage of present value of year end scheme liabilities	9.3%	8.5%	(2.6%)	(3.0%)

29. Pension obligations (continued)

Anglia Maintenance Services Limited

The Norfolk County Council Superannuation Fund

The Company operates a defined benefit scheme for employees, the assets of which are held in a separate trustee administered fund, the Norfolk County Council Superannuation Fund. Pension contributions are determined by a qualified independent actuary using the attained age method. The most recent actuarial valuation of the Norfolk County Council Superannuation Fund was at 31 March 2007. The actuaries have rolled forward the actuarial values of the liabilities reported as at 31 March 2007, allowing for changes in financial assumptions as prescribed under FRS 17. In addition, consideration has been taken of the effect of contributions paid into and estimated benefits paid from the fund by the Company and its employees. The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It is assumed that the investment returns will be 7.7% for equities and 5.7% for bonds per annum, the salary increases would average 5.1% per annum and that present and future pensions would increase at the rate of 3.6% per annum.

The actuarial valuation at 31 March 2008 showed that the market value of the scheme's assets was £3,488 million and that the actuarial value of these assets represented 10.8% of the benefits that have accrued to members after allowing for expected future increases in earnings. The contributions of the Company and employees are 14.1% and 6% (2007: 14.1% and 6% respectively).

Actuarial valuations were updated to take account of the requirements of FRS 17. Scheme assets are stated at their market value at 31 March 2008. The major assumptions used by the actuary for the 2008 valuation update were:

	At 31 March 2008	At 31 March 2007	At 31 March 2006	At 31 March 2005	At 31 March 2004
Discount rate	6.9%	5.4%	4.9%	5.4%	5.5%
Inflation	3.6%	3.2%	3.1%	2.9%	2.9%
Rate of increase in salaries	5.1%	4.7%	4.6%	4.4%	4.9%
Rate of increase in pensions in payment	3.6%	3.2%	3.1%	2.9%	2.9%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which due to the timescale covered, may not be necessarily borne out in practice.

Notes to the financial statements
For the year ended 31 March 2008 – (continued)

29. Pension obligations (continued)

Scheme assets
The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Long term rate of return expected at 31 March 08 %	Value at 31 March 08 £000	Long term rate of return expected at 31 March 07 %	Value at 31 March 07 £000	Long term rate of return expected at 31 March 06 %	Value at 31 March 06 £000
Equities	7.7%	2,236	7.9%	2,307	7.4%	2,078
Bonds	5.7%	619	4.9%	501	4.6%	417
Property	5.7%	496	5.9%	540	5.5%	355
Cash	4.8%	137	4.9%	82	4.6%	69
		3,488		3,430		2,919
Present value of scheme liabilities		(3,301)		(3,984)		(3,854)
Surplus/(deficit) in the scheme		187		(554)		(935)
Related deferred tax liability–asset		56		166		280
Net pension asset		131		(388)		(655)

Movement in deficit during the year

	2008 £000	2007 £000
Deficit in scheme at beginning of year	(554)	(935)
Current service cost	(234)	(248)
Other finance cost	28	13
Contributions	192	175
Actuarial gain/(loss)	755	441
Surplus/(deficit) in the scheme at the end of year	187	(554)

Analysis of other pension costs charged in arriving at operating surplus

	2008 £000	2007 £000
Current service cost	(234)	(248)
Total operating charge	(234)	(248)

Analysis of amounts including in other finance costs

	2008 £000	2007 £000
Expected return on pension scheme assets	250	209
Interest on pension scheme liabilities	(222)	(196)
	28	13

29. Pension obligations (continued)

Analysis of amount recognised in statement of total recognised surpluses and deficits

	2008 £000	2007 £000
Actual return less expected return on scheme assets	(376)	(18)
Experience gains and losses arising on scheme liabilities	171	88
Changes in assumptions underlying the present value of scheme liabilities	960	371
Actuarial gain/(loss) recognised in the statement of total recognised surpluses and deficits	755	441

History of gains and losses

	2008	2007	2006	2005
Actual return less expected return on scheme assets (£000)	376	18	398	77
Percentage of year end scheme assets	(10.8%)	(0.5%)	13.6%	3.6%
Experience gains and losses arising on scheme liabilities (£000)	171	88	(1)	(152)
Percentage of present value of year end scheme liabilities	5.2%	2.2%	0.00%	(5.5%)
Total amount recognised in the statement of total recognised surpluses and deficits (£000)	755	441	(256)	24
Percentage of present value of year end scheme liabilities	22.9%	11.1%	(6.6%)	(0.9%)

EPIC Trust
Islington Council Pension Fund

The Trust operates a defined benefit scheme for employees, the assets of which are held in a separate trustee administered fund, the Islington Council Pension Fund. Pension contributions are determined by a qualified independent actuary using the attained age method. The most recent actuarial valuation of the Islington Council Pension Fund was at 31 March 2007. The actuaries have rolled forward the actuarial values of the liabilities reported as at 31 March 2007, allowing for changes in financial assumptions as prescribed under FRS 17. In addition, consideration has been taken of the effect of contributions paid into and estimated benefits paid from the fund by the Trust and its employees. The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It is assumed that the investment returns will be % for equities and % for bonds per annum, the salary increases would average % per annum and that present and future pensions would increase at the rate of % per annum.

The actuarial valuation at 31 March 2008 showed that the market value of the scheme's assets was £960,000 and that the actuarial value of these assets represented % of the benefits that have accrued to members after allowing for expected future increases in earnings. The contributions of the Trust and employees are % and % respectively (2007: 16.8% and 6% respectively).

Actuarial valuations were updated to take account of the requirements of FRS 17. Scheme assets are stated at their market value at 31 March 2008. The major assumptions used by the actuary for the 2008 valuation update were:

Notes to the financial statements
For the year ended 31 March 2008 – (continued)

29. Pension obligations (continued)

	At 31 March 2008	At 31 March 2007	At 31 March 2006
Discount rate applied to scheme liabilities	6.1%	5.4%	4.9%
Inflation assumption	3.6%	3.1%	2.9%
Rate of increase in salaries	5.35%	4.85%	4.65%
Rate of increase in pensions in payment and deferred pensions	3.6%	3.1%	2.9%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which due to the timescale covered, may not be necessarily borne out in practice.

Scheme assets
The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Long term rate of return 2008 %	Value at 31 March 2008 £000	Long term rate of return 2007 %	Value at 31 March 2007 £000	Long term rate of return 2006 %	Value at 31 March 2006 £000
Equities	7.50%	907	7.5%	1,038	7.0%	986
Bonds	4.60%	93	4.7%	138	4.3%	143
Other bonds	6.10%	200	5.4%	154	4.9%	146
Property	6.50%	53	6.5%	54	6.0%	56
Cash	5.25%	27	5.25%	16	4.5%	33
Other	7.50%	53	7.5%	67	–	–
		1,333		1,467		1,364
Present value of scheme liabilities		(1,748)		(1,701)		(1,695)
Net pension liability		(415)		(234)		(331)

Movement in deficit during the year

	2008 £000	2007 £000
Deficit in scheme at beginning of year	(234)	(331)
Current service cost	(32)	(43)
Past service loss	(13)	–
Other finance cost	5	(7)
Contributions	31	35
Actuarial gain/(loss)	(172)	112

Analysis of other pension costs charged in arriving at operating deficit

	2008 £000	2007 £000
Current service cost	(32)	(43)
Past service loss	(13)	–
	(45)	(43)

29. Pension obligations (continued)

Analysis of amounts included in other finance costs

	2008 £000	2007 £000
Expected return on pension scheme assets	97	81
Interest on pension scheme liabilities	(92)	(83)
	5	(2)

Analysis of amounts recognised in statement of total recognised surpluses and deficits

	2008 £000	2007 £000
Actual return less expected return on scheme assets	(186)	19
Experience (loss)/gain arising on scheme liabilities	112	–
Changes in assumptions underlying the present value of scheme liabilities	(98)	93
Actuarial (loss)/gain recognised in the statement of total recognised surpluses and deficits	(172)	112

History of gains and losses

	2008 £000	2007 £000
Actual return less expected return on scheme assets (£000)	(186)	19
Percentage of year end scheme assets	14.0%	1.3%
Experience gains and losses arising on scheme liabilities (£000)	112	–
Percentage of present value of year end scheme liabilities	6.4%	0.0%
Total amount recognised in the statement of total recognised surpluses and deficits (£000)	(172)	112
Percentage of present value of year end scheme liabilities	(9.8%)	6.6%

Roddons Housing Association Limited
The Cambridgeshire County Council Superannuation Fund

Roddons Housing Association operates a defined benefit scheme for employees, the assets of which are held in a separate trustee administered fund, the Cambridgeshire County Council Superannuation Fund. Pension contributions are determined by a qualified independent actuary using the attained age method. The most recent actuarial valuation of the Cambridgeshire County Council Superannuation Fund was at 31 March 2007. The actuaries have rolled forward the actuarial values of the liabilities reported as at 31 March 2007, allowing for changes in financial assumptions as prescribed under FRS 17. In addition, consideration has been taken of the effect of contributions paid into and estimated benefits paid from the fund by the Company and its employees. The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It is assumed that the investment returns will be 7.7% for equities and 5.7% for bonds per annum, the salary increases would average 5.1% per annum and that present and future pensions would increase at the rate of 3.6% per annum.

The actuarial valuation at 31 March 2007 showed that the market value of the scheme's assets was £3.9 million and that the actuarial value of these assets represented 82.0% of the benefits that have accrued to members after allowing for expected future increases in earnings. The contributions of the Company and employees are 14.1% and 6% respectively (2007: 14.1% and 6% respectively).

Notes to the financial statements
For the year ended 31 March 2008 – (continued)

Analysis of amounts included in other finance costs

Actuarial valuations were updated to take account of the requirements of FRS 17. Scheme assets are stated at their market value at 31 March 2008. The major assumptions used by the actuary for the 2007 valuation update were:

	At 31 March 2008	At 31 March 2007
Discount rate	6.9%	5.4%
Inflation	3.6%	3.2%
Rate of increase in salaries	5.1%	4.7%
Rate of increase in pensions in payment	3.6%	3.2%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which due to the timescale covered, may not be necessarily borne out in practice.

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Long term rate of return expected 2008 %	Value 2008 £000	Long term rate of return expected 5 Nov 2007 %	Value 5 Nov 2007 £000
Equities	7.7%	2,706	7.9%	2,858
Bonds	5.7%	499	5.2%	502
Property	5.7%	469	5.9%	464
Cash	4.8%	532	4.9%	204
Total Market value of assets		4,206		4,028
Present value of scheme liabilities		3,740		4,386
		466		(358)
Present value of underfunded liabilities		–		–
Scheme surplus/(deficit)		466		(358)
Related deferred tax asset		–		–
Net pension asset (liability)		466		(358)

29. Pension obligations (continued)

Movement in deficit during the year

	2008 £000
Deficit in scheme at beginning of period	(358)
Current service cost	(131)
Former employer contribution to Deficit	315
Net return on assets	14
Contributions	130
Actuarial gain/(loss)	496
Surplus in the scheme at the end of year	466

Analysis of other pension costs charged in arriving at operating surplus

	2008 £000
Current service cost	(131)
Impact of Settlements & Curtailments	–
Total operating charge	(131)

Mole Valley Housing Association Limited

The Surrey County Council Superannuation Fund

Mole Valley Housing Association operates a defined benefit scheme for employees, the assets of which are held in a separate trustee administered fund, the Surrey County Council Superannuation Fund. Pension contributions are determined by a qualified independent actuary using the attained age method. The most recent actuarial valuation of the Surrey County Council Superannuation Fund was at 31 March 2007. The actuaries have rolled forward the actuarial values of the liabilities reported as at 31 March 2007, allowing for changes in financial assumptions as prescribed under FRS 17. In addition, consideration has been taken of the effect of contributions paid into and estimated benefits paid from the fund by the Company and its employees. The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It is assumed that the investment returns will be 7.7% for equities and 5.7% for bonds per annum, the salary increases would average 5.1% per annum and that present and future pensions would increase at the rate of 3.6% per annum.

The actuarial valuation at 31 March 2007 showed that the market value of the scheme's assets was £3.2 million and that the actuarial value of these assets represented 82.0% of the benefits that have accrued to members after allowing for expected future increases in earnings. The contributions of the Company and employees are 14.1% and 6% respectively (2007: 14.1% and 6% respectively).

Actuarial valuations were updated to take account of the requirements of FRS 17. Scheme assets are stated at their market value at 31 March 2008. The major assumptions used by the actuary for the 2008 valuation update were:

Notes to the financial statements
For the year ended 31 March 2008 – (continued)

29. Pension obligations (continued)

	At 31 March 2008	At 31 March 2007
Discount rate	6.9%	5.4%
Inflation	3.6%	3.2%
Rate of increase in salaries	5.1%	4.7%
Rate of increase in pensions in payment	3.6%	3.2%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which due to the timescale covered, may not be necessarily borne out in practice.

Scheme assets
The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Long term rate of return expected 2008 %	Value 2008 £000	Long term rate of return expected 29 Oct 2007 %	Value 29 Oct 2007 £000
Equities	7.7%	2,328	8.0%	2,132
Bonds	5.7%	628	5.3%	538
Property	5.7%	237	5.9%	198
Cash	4.8%	83	5.0%	66
Total Market value of assets		3,276		2,934
Present value of scheme liabilities		3,349		3,703
		(73)		(769)
Present value of underfunded liabilities		–		–
Scheme surplus/(deficit)		(73)		(358)
Related deferred tax asset		–		–
Net pension liability		(73)		(358)

Movement in deficit during the year

	2008 £000
Deficit in scheme at beginning of period	(769)
Current service cost	(123)
Other finance cost	–
Net Return on Assets	42
Contributions	624
Actuarial gain/(loss)	152
Deficit in the scheme at the end of year	(73)

29. Pension obligations (continued)

Russet Homes Limited
The Kent County Council Superannuation Fund

Russet Homes Limited is and admitted member of a defined benefit scheme for employees, the assets of which are held in a separate trustee administered fund, the Kent County Council Superannuation Fund. The actuarial liabilities of the scheme are subject to a triennial valuation by the schemes independent actuaries. An actuarial valuation was carried out as at 31 march 2007 using the projected unit method. For the purposes of calculating the required contribution rate the following assumptions were applied; gilt based discount rate 4.5%, funding based discount rate will be 6.1%, earnings growth would average 4.7% per annum and that price inflation would be 3.2% per annum.

The actuarial valuation at 31 March 2007 showed that the assets of the whole scheme were sufficient to cover 73% of the accrued liabilities assessed on an ongoing basis. The contributions of the association over the three years to 2008–10 remained at 38% of earnings.

Actuarial valuations were updated to take account of the requirements of FRS 17. Scheme assets are stated at their market value at 31 March 2008. The major assumptions used by the actuary for the 2008 valuation update were:

	At 31 March 2008	At 31 March 2007	At 31 March 2006	At 31 March 2005
Discount rate	6.9%	5.4%	4.9%	5.4%
Inflation	3.6%	3.2%	3.1%	2.9%
Rate of increase in salaries	5.1%	4.7%	4.6%	4.4%
Rate of increase in pensions in payment	3.6%	3.2%	3.1%	2.9%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which due to the timescale covered, may not be necessarily borne out in practice.

Scheme assets
The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

Notes to the financial statements
For the year ended 31 March 2008 – (continued)

	Long Term rate of return expected 2008 %	Value 2008 £000	Long term rate of return expected 2007 %	Value 2007 £000
Equities	7.7%	7,590	7.7%	7,280
Bonds	5.7%	1,530	4.8%	1,290
Property	5.7%	1,180	5.7%	1,060
Cash	4.8%	620	4.8%	750
Total Market value of assets		10,920		10,380
Present value of scheme liabilities		(14,120)		(14,910)
FRS17 pension fund deficit		(3,200)		(4,530)
Related deferred tax asset		873		1,359
Net pension liability		(2,036)		(3,171)

Movement in deficit during the year

	2008 £000	2007 £000
Deficit in scheme at beginning of year	(4,530)	(7,000)
Current service cost	(450)	(680)
Past service costs	(90)	(240)
Other finance income	60	110
Settlements and curtailments	–	(10)
Contributions	900	560
Actuarial gain)	1,030	860
Deficit in the scheme at the end of year	(3,200)	(4,530)

Analysis of other pension costs charged in arriving at operating surplus

	2008 £000	2007 £000
Current service cost	(450)	(510)
Past service costs	(90)	(240)
Impact of Settlements & Curtailments	–	(10)
Total operating charge	(540)	(760)

Analysis of amounts included in other finance costs

	2008 £000	2007 £000
Expected return on pension scheme assets	750	620
Interest on pension scheme liabilities	(810)	(730)
	(60)	(110)

Analysis of amount recognised in statement of total recognised surpluses and deficits

	2008 £000	2007 £000
Actual return less expected return on scheme assets	(1,320)	(60)
Experience gains and losses arising on scheme liabilities	(100)	–
Changes in assumptions underlying the present value of scheme liabilities	2,450	920
Actuarial gain recognised in the statement of total recognised surpluses and deficits	1,030	860

29. Pension obligations (continued)
History of gains and losses

	2008	2007	2006	2005
Actual return less expected return on scheme assets (£000)	(1,320)	(60)	1,340	247
Percentage of year end scheme assets	(12.1%)	(0.58%)	15.2%	3.8%
Experience gains and losses arising on scheme liabilities (£000)	(100)	–	15	402
Percentage of present value of year end scheme liabilities	(0.7%)	0%	0.1%	3.4%
Total amount recognised in the statement of total recognised surpluses and deficits (£000)	1,030	860	(415)	424
Percentage of present value of year end scheme liabilities	7.3%	5.77%	(2.9%)	3.5%

Invicta Telecare Limited
The Kent County Council Superannuation Fund

Invicta Telecare Limited is and admitted member of a defined benefit scheme for employees, the assets of which are held in a separate trustee administered fund, the Kent County Council Superannuation Fund. The actuarial liabilities of the scheme are subject to a triennial valuation by the schemes independent actuaries. An actuarial valuation was carried out as at 31 March 2007 using the projected unit method. For the purposes of calculating the required contribution rate the following assumptions were applied; investment return 6%, earnings growth would average 4.3% per annum and that pensions increases 2.8% per annum.

The actuarial valuation at 31 March 2007 showed that the assets of the whole scheme were sufficient to cover 63% of the accrued liabilities assessed on an ongoing basis. The contributions of the association over the three years to 2008–10 will increase to 17.5% (plus and annual contribution of £61k).

Actuarial valuations were updated to take account of the requirements of FRS 17. Scheme assets are stated at their market value at 31 March 2008. The major assumptions used by the actuary for the 2008 valuation update were:

	At 31 March 2008	At 31 March 2007	At 31 March 2006	At 31 March 2005
Discount rate	6.9%	5.4%	4.9%	5.4%
Inflation	3.6%	3.2%	3.1%	2.9%
Rate of increase in salaries	5.1%	4.7%	4.6%	4.4%
Rate of increase in pensions in payment	3.6%	3.2%	3.1%	2.9%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which due to the timescale covered, may not be necessarily borne out in practice.

Scheme assets
The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

Notes to the financial statements

For the year ended 31 March 2008 – (continued)

	Long term rate of return expected 2008 %	Value 2008 £000	Long term rate of return expected 2007 %	Value 2007 £000
Equities	7.7%	2,750	7.7%	3,130
Bonds	5.7%	560	4.8%	560
Property	5.7%	430	5.7%	460
Cash	4.8%	230	4.8%	320
Total Market value of assets		3,970		4,470
Present value of scheme liabilities		(4,460)		(4,910)
FRS17 pension fund deficit		(490)		(440)
Related deferred tax asset		147		132
Net pension liability		(343)		(308)

Movement in deficit during the year

	2008 £000	2007 £000
Deficit in scheme at beginning of year	(440)	(770)
Current service cost	(340)	(300)
Other finance income	50	30
Contributions	290	230
Actuarial (loss) gain	(50)	370
Deficit in the scheme at the end of year	(490)	(440)

Analysis of other pension costs charged in arriving at operating surplus

	2008 £000	2007 £000
Current service cost	(340)	(300)
Total operating charge	(340)	(300)

Analysis of amounts included in other finance costs

	2008 £000	2007 £000
Expected return on pension scheme assets	330	270
Interest on pension scheme liabilities	(280)	(240)
	50	30

Analysis of amount recognised in statement of total recognised surpluse and deficits

	2008 £000	2007 £000
Actual return less expected return on scheme assets	(570)	(30)
Experience gains and losses arising on scheme liabilities	(520)	10
Changes in assumptions underlying the present value of scheme liabilities	1,040	390
Actuarial (LOSS) gain recognised in the statement of total recognised surpluses and deficits	(50)	370

History of gains and losses

	2008	2007	2006	2005
Actual return less expected return on scheme assets (£000)	(570)	(30)	580	101
Percentage of year end scheme assets	(14.4%)	(0.8%)	14.9%	2.6%
Experience gains and losses arising on scheme liabilities (£000)	(520)	10	3	(217)
Percentage of present value of year end scheme liabilities	(11.7%)	0.2%	0.1%	(6.4%)
Total amount recognised in the statement of total recognised surpluses and deficits (£000)	(50)	370	(127)	(190)
Percentage of present value of year end scheme liabilities	(1.1%)	8.3%	(2.7%)	(5.6%)

30. Related party transactions

Tenant Board members on subsidiary Boards rent properties from the group under the same terms and conditions as all tenants in similar properties.

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